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THE WALL STREET JOURNAL.

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VOL. XXXIV NO. 81 (India facsimile VOL. 1 NO. 142) * * ASIA Tuesday, December 22, 2009

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# Total aims to boost China ties

By Simon Hall And Jason Dean

BEIJING—**Total** SA is looking to expand its cooperation with China's leading oil producer on a range of fronts, including a multibillion-dollar natural-gas project in northern China and prospective overseas deals in Iran and Venezuela, its chief executive said in an interview.

The French oil-and-gas company has been aggressive about cooperating with China, although some of its efforts have stumbled or failed. The cooperation reflects Chief Executive Christophe de Margerie's belief that Total is better off trying to forge partnerships with rising competitors from the world's most populous country than strictly trying to compete.

Total's advanced technology and international experience, along with China's rising clout in the energy sector, mean "there is a real opportunity for Chinese companies and Total to work together," Mr. de Margerie said Monday in Beijing, where he and a team of executives are accompanying French Prime Minister François Fillon on a visit. "In countries where we have experience, like in Africa, in Latin America, definitely we are better together than separately," Mr. de Margerie said in an interview.

Total's cooperation with **China National Petroleum** Corp., or CNPC, the country's biggest oil producer, has extended into several geopolitically sensitive regions where it is often difficult to get deals done.

Mr. de Margerie said Total aims to make a joint bid with CNPC to develop a heavy-oil block in Venezuela's Carabobo region. He declined to estimate timing or investment for that possible project. Several

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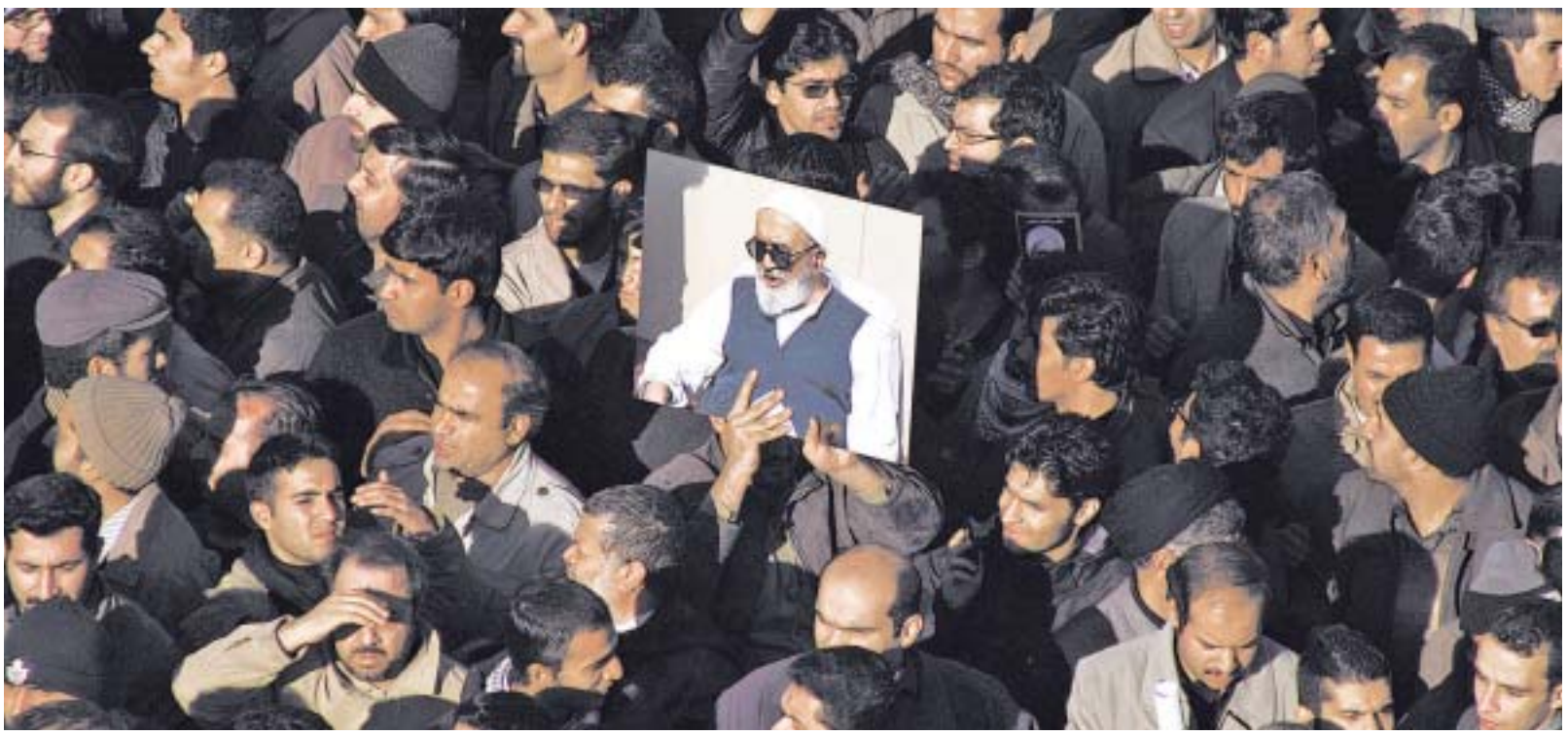
## Iranian opposition, in mourning, seizes on death of ayatollah



Associated Press

Tens of thousands of Iranian mourners—many chanting protest slogans—join the funeral procession Monday for Grand Ayatollah Hossein Ali Montazeri. **Page 5.**

# Weapons probe hits aircraft's lease firm

The search for the organizers of an airplane filled with North Korean weapons bound for Iran and detained in Thailand has led to a company in Hong Kong.

*By Alex Frangos, Daniel Michaels and Jonathan Cheng*

A company called Union Top Management Ltd., registered in Hong Kong, signed a contract this month to lease the cargo plane, according to documents obtained by arms-trafficking researchers in Belgium and the U.S.

Attempts to reach Dario Cabreros Garmendia, listed in public documents as Union Top Management's owner and director were unsuccessful. A Dario Cabreros signed a contract on behalf of Union Top Management on Dec. 4 to lease the plane.

A woman who answered the phone at an office in Hong Kong given on Union Top Management documents provided an email address for Mr. Garmendia. An email sent to the address was returned as undeliverable. Union Top Management's filings list a Barcelona, Spain, postal address for Mr. Garmendia.

*Please turn to page 20*

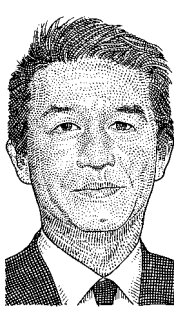
# Taiwan digs further into Pang case

By Mark Maremont

The investigation into the fraud scandal surrounding the late California financier Danny Pang has widened in his native Taiwan, as its government probes whether bankers received bribes to steer their customers into investing with Mr. Pang's firm.

Losses at Taiwanese banks could continue to mount, with analysts anticipating $100 million to $300 million in losses on top of $296 million already recorded.

Alex Fai, co-chairman of the Taiwan legislature's finance committee, said regulators at the Financial Supervisory Commission are examining whether bank executives received commissions from overseas related to distributing more than $800 million in notes from Mr. Pang's firm. Investigators in the civil inquiry appear to be probing whether any bankers received kickbacks or other unusual incentives, according to people familiar with the matter.



*Danny Pang*

In a separate criminal probe into possible bribes, the Ministry of Justice's Investigation Bureau has required banks to provide details of their employees' personal accounts, according to a senior executive at one of the banks. An Investigation Bureau spokesman declined to confirm or deny the existence of any investigation, in keeping with the agency's standard practice.

Mr. Pang's firm, **Private Equity Management Group** Inc., or PEMGroup, was seized by the U.S. government in April. A court-appointed receiver later discovered a hole in its books of between $400 million and $600 million. At the time of Mr. Pang's death in September, at age 42, he was facing Securities and Exchange Commission allegations that he ran a Ponzi-like scheme and looted the Irvine, Calif., company to finance a lavish lifestyle. He denied the allegations.

Between 2004 and 2008, a half dozen major Taiwanese banks distributed PEMGroup's "structured notes" to some 16,000 retail customers. Investors were promised above-market interest payments and told their money was safe because it was guaranteed by major insurance firms. The insurance turned out to be almost completely illusory, and PEMGroup's investments—most in the U.S.—lost most of their value.

Nasar Aboubakare, PEMGroup's former No. 2 executive, said Mr. Pang repeatedly told him he sometimes raised money by offering under-the-table payments to Taiwanese bankers, and told him this delicate task was handled by a senior employee in PEMGroup's Taiwan office.

Mr. Aboubakare produced an August 2006 PEMGroup accounting statement showing expenses related to a $75 million note offering. It showed that 1.375% of the total, or just

*Please turn to page 20*

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## What's News—

* * *

*Business & Finance*

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■ **Taiwan said it may ease curbs** on investments in China by local technology firms. **21**

■ **Las Vegas Sands said** it plans to restart construction on Macau casino-resort projects. **22**

■ **Honda plans to build** a new plant in China to keep up with demand, joining a host of global auto makers expanding production capacity in the country. **23**

■ **China Telecom became** the second Chinese mobile operator to sign a deal with Research In Motion to offer BlackBerry devices in mainland China. **23**

■ **The euro is overvalued** by between 7% and 8% relative to other major currencies, and a further rise could be a concern for the more open euro-zone economies, the European Commission said.

■ **Shell wants to sell** 10 of its Nigerian onshore oil assets, following years of militant attacks on its facilities. **22**

■ **Australia's Qantas Airways** said it expects to return to profitability this fiscal year. **25**

■ **GM picked Microsoft executive** Chris Liddell as its chief financial officer and vice chairman. **23**

■ **Sanofi stepped up** its move into consumer drugs by buying Chattem for $1.9 billion. **23**

■ **Morgan Stanley's new CEO**, Australian-born James Gorman, is aiming to remake the firm. **24**

■ **Dubai World**, which is restructuring $22 billion of debt, said the city-state will cover the company's working capital expenses. **24**

Bloomberg News

Sheldon Adelson, chairman and chief executive officer of Las Vegas Sands Corp., speaks during a news conference in Singapore on Monday. Mr. Adelson said he expects to restart construction on the casino operator's resort projects in Macau in about five months, with the first two phases to be completed by the end of 2011.

■ **Big banks are grappling** with whether to spread the pain of the U.K.'s new bonus tax among their global work forces. **26**

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■ **Public support** for Japan's government fell to 48%, as budget constraints and tensions within the ruling coalition threaten Hatoyama's key policy pledges. **3**

■ **OPEC's secretary-general said** there is consensus within the oil-producing bloc to maintain its production targets into 2010.

■ **China is aiming** for industrial-production growth of about 11% in 2010 to help meet its economic-growth target of roughly 8%. **4**

■ **U.S. Senate Democrats**, voting 60-40, swept aside Republican objections and moved to close off debate on health-care overhaul legislation. **6**

■ **The Eurostar rail line offered** a glimmer of hope to some of its stranded passengers that trains could resume service Tuesday, as the company came under fire from the French government. **7**

■ **Philippine troops pressed** the last 3,000 villagers who have refused to heed warnings to leave the danger zone around a volcano that experts say is ready to erupt.

■ **Tropical Cyclone Laurence** forced the closure of an iron-ore export port in Western Australia as BHP warned of possible interruption to its mining operations. **4**

■ **Polish police recovered** the Nazi sign stolen from the former Auschwitz death camp and said it appeared to have been taken by criminals seeking profit.

## ONLINE TODAY

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2. Climate Summit Recognizes U.S. Deal
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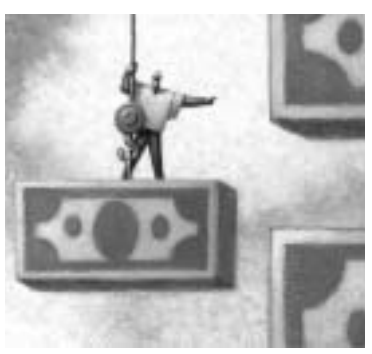
### Financial Adviser

blogs.wsj.com/financial-adviser

As the year comes to a close, wealth adviser columnist James Altucher tells investors what to look out for in 2010.



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Akhil Verma, executive search consultant with Spencer Stuart, offers advice on what to do if you move back home to pursue your career.

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WORLD NEWS

# Hatoyama sees public support slip

By Alison Tudor And Takashi Nakamichi

TOKYO—Public support for Japan's new government fell below 50% as budget constraints and internal tensions within the ruling coalition threaten Prime Minister Yukio Hatoyama's major policy pledges.

In its latest retreat, the Hatoyama administration relented on a campaign pledge to drop surcharges on gasoline amid tight budget constraints, saying it would replace the tax with a new one. The pledge was part of an effort to end unpopular taxes and government fees, and to spur consumer spending.

"I must apologize candidly for breaking our campaign promise" to drop the gasoline surcharge, Mr. Hatoyama said Monday.

His government's approval rating fell to 48% over the weekend, from 62% a month ago and from 71% when he took office in September, according to the Japanese daily Asahi Shimbun. The newspaper surveyed 2,115 respondents, asking if they supported the Hatoyama cabinet.

Asahi's poll followed similar results in a survey released Friday by Jiji Press, showing that support for the cabinet had dropped to 46.8%. That survey, conducted last week, included about 2,000 adults.

The results represent a sharp turnaround from August, when Mr. Hatoyama's Democratic Party of Japan trounced the long-ruling Liberal Democratic Party in national elections amid widespread voter concerns over the nation's soft economy and long-term growth prospects.

Public fears are growing over deflation, which some economists believe could send Japan into a double-dip recession. Deflation eats into corporate profits, leading to cutbacks, and keeps consumers from making big purchases as they wait for prices to fall further.

Still, the Asahi poll suggests Mr. Hatoyama has room to maneuver. While overall support for his DPJ was 42%, support for the LDP was far lower at 18%.

At the same time, the government got good news Monday from November trade data, which showed a bigger-than-expected 373.9 billion yen ($4.12 billion) trade surplus, thanks to Japan's first rise in exports to Asia in more than a year. The data added to hopes that Japan's export-reliant economy could steer clear of a double-dip recession—in which the economy returns to recession after a brief period of growth.

"There now seems to be only a slim chance of Japan's economy suffering a double dip," said Toshihiro Nagahama, chief economist at Daiichi Life Research Institute Inc.

The drop in Mr. Hatoyama's popularity shows the toll Japan's tough economic constraints have taken on the country's leaders. The DPJ's ambitious spending plans have been threatened by wide public deficits. Many bond investors believe the government will have to break a pledge to keep public-debt issuance below 44 trillion yen next fiscal year to help get government finances in order.

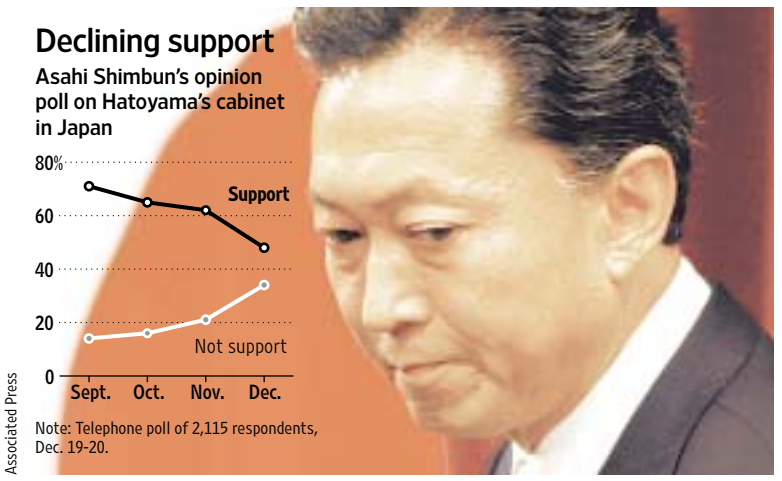
Meanwhile, Mr. Hatoyama faces pressure over the issue of U.S. military personnel stationed on the Japanese island of Okinawa. The government last week put off reaching a decision concerning one contentious base, disappointing U.S. officials, as well as Japanese voters, who were hoping to resolve the issue this year.

A junior coalition partner, the Social Democratic Party, has threatened to leave the coalition if the DPJ continues a plan negotiated by the previous government to relocate the base on the island rather than move it off the island entirely.

Respondents to the Asahi poll gave the cabinet's procrastination thumbs down, with 60% voicing disapproval.

The gasoline surcharge amounts to about 25 yen a liter, or about US$1.06 a gallon. The Hatoyama administration says it will stick with other campaign pledges, such as increased per-child payments regardless of income level, to encourage higher birth rates.

*—Miho Inada contributed to this article.*



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# Storm shuts key port

*Cyclone Laurence weakens as it nears western coast of Australia*

By Alex Wilson

MELBOURNE—Tropical Cyclone Laurence forced the closure of a major iron-ore export port in the Pilbara region of Western Australia on Monday as **BHP Billiton** warned of possible interruptions to its mining operations.

Port Hedland was closed down early morning due to potential rough seas associated with then-category-four Laurence, the port authority said. Port Hedland Harbor Master Lindsay Copeman said that while the storm wasn't forecast to come close to the port, the decision had been made as a precaution.

All ships that had been in port have now gone offshore until the port authority determines conditions have returned to normal, he said. "I would expect to be firing up again tomorrow morning," Mr. Copeman said.

BHP, a major iron-ore exporter, and **Fortescue Metals Group** Ltd. export all of the iron ore from their mines in the Pilbara region through Port Hedland. Iron ore is a crucial ingredient for making steel.

Laurence weakened Monday evening to a category-one storm. It was expected to make landfall to the east of Port Hedland in the Pilbara region of Western Australia late Monday or early Tuesday, with the Bureau of Meteorology forecasting winds of up to 230 kilometers an hour and a possible dangerous storm tide along sections of the coast.

BHP said it expected possible interruptions to its iron-ore operations as a result of the storm.

The bureau is forecasting that Laurence will pass close to the Telfer gold and copper mine of **Newcrest Mining** Ltd., although it is expected to have weakened to a category-two cyclone by then.

A spokeswoman for Newcrest said that mine activity was continuing at Telfer, but that the first stage of the company's cyclone plan had been put in place, with precautions being taken, all loose materials being tied down and potential hazards removed.

A spokesman for Fortescue said the storm is forecast to pass well north of its operations, and that mine and rail operations in the region are continuing as normal while the company tracks the path of the storm and makes preparations.

# China sets output goal

Dow Jones Newswires

BEIJING—China is aiming for industrial-production growth of about 11% next year to help meet its economic-growth target of roughly 8%, Minister of Industry and Information Technology Li Yizhong said Monday.

It was the first official announcement from Beijing that it is maintaining the economic-growth target it set for previous years.

The 8% target has become a kind of standard—Beijing has set it for several years, even those when the economy grew at a much faster pace—and the announcement was seen less as a prediction than as an affirmation of a minimum target for growth.

China is widely expected to post growth above 8% this year and close to 9% in 2010.

Beijing's 11% target for industrial-production growth next year is slightly lower than this year's 12% target.

The ministry's conference came after senior government officials held their annual work meeting earlier this month, where they decided to focus more on balanced economic growth—dealing with excess production capacity, for instance—even as they reaffirmed policies to support the recovery.

Details of how they will affect the shift have been scant, however, and Mr. Li's remarks also lacked many specifics.

He said the ministry will curb excess production capacity next year—something Beijing has emphasized since July—and encourage consolidation in various sectors including automobiles, shipbuilding and steel.

Associated Press

A welder works Thursday on construction of a bridge in Zhengzhou, China. Beijing is maintaining its 8% growth target.

Josh Chin

For one Chinese, a U.S. liberal-arts education opened up new ways of thinking.

中国实时报
CHINAREALTIMEREPORT

*The Wall Street Journal's China Real Time Report* **(http://blogs.wsj.com/chinarealtime)** *this past week looked at Chinese students' growing interest in a liberal-arts education, cars on Beijing's streets hitting four million and a new job for Caijing magazine's former editor. Excerpts:*

## School of thought: Time for liberal-arts education

For a small but growing number of Chinese, a foreign education is more than a chance to learn a skill or enter a profession. It's about changing your mindset. Thus, a popular book on the Chinese market today called "A True Liberal Arts Education" is an unusual paean to attending a small liberal arts college.

The book's principal author, Chen Yongfang, attends Bowdoin College, a tradition-laden liberal-arts school in Brunswick, Maine, that enrolls just 1,700 students and boasts alumni such as the authors Nathaniel Hawthorne and Henry Wadsworth Longfellow. His co-authors, Li Wan and Lin Nie, went respectively to Bucknell University and Franklin & Marshall College.

Mr. Chen says he didn't initially know the advantages of a liberal-arts education, which ideally is meant to train critical faculties instead of simply acquiring knowledge—which often can be dated soon after graduation. He said this form of education is not prevalent in China, where most schools drill information into students, who then regurgitate it on standardized tests.

"I spent one year familiarizing myself with how to think like Americans and how to express myself," said Mr. Chen, a 23-year-old senior at Bowdoin. "It's difficult but worthwhile."

The book, which is widely featured around China, is written in a breezy, familiar style, with the authors explaining the principles behind the liberal arts education and also very concrete details of student life in the U.S., including extra-curricular activities like concerts or sports. "I wanted them to be able to understand our life here, how we socialize for example," Mr. Chen said.

*—Ian Johnson*

## Beijing's roads now have four million cars

Beijing's traffic-control measures, such as telling drivers to leave their cars at home on a certain day of the week based on the last digit of their license plate number, apparently couldn't quite keep up with people's appetite for cars.

The number of new cars purchased every day in China's capital stands at about 2,000, state-run Xinhua news agency said last week, citing the city's municipal traffic management bureau. Vehicles in Beijing were due to hit the 4 million mark last week, which means one in four of the city's 16 million permanent residents now has a car.

People stuck in traffic in Beijing can partly blame China's central government's successful steering of the domestic economy after last year's global financial crisis. Stimulus measures, including tax cuts and other incentives to encourage auto purchases, have helped trigger a boom in auto sales even as other major markets around the world have sputtered.

Now, Beijing may need to look at more traffic restrictions unless it quickly and significantly improves and redesigns its transportation infrastructure. Either that or hope for economic slowdown.

*—Norihiko Shirouzu*

## What next for Hu Shuli?

Former Caijing magazine editor Hu Shuli, who left the influential publication last month, has accepted a part-time position as the dean of the Sun Yat-Sen University School of Communication and Design in Guangzhou, but few expect her to stay out of the media business for long.

Caijing employees who left the magazine with Ms. Hu sayshe is planning to launch another magazine that would maintain Caijing's muckracking journalistic ethos while focusing more heavily on the Internet. The new venture, expected to be called "Caixin" (short for "business and news"), is still awaiting a publication license from China's media regulators, and it's still unclear who its financial backers and government partner would be.

Ms. Hu has started her own Web site, featuring a mix of content that includes original reporting.

*—Sky Canaves*

# *In death, Grand Ayatollah could unify Iran's opposition*

[ Capital Journal ]

By Gerald F. Seib

Can a deceased Ayatollah offer in death what no one alive seems to be able to provide: a single, unifying figure for Iran's opposition?

That's the central question that emerges from the weekend death of Grand Ayatollah Hossein Ali Montazeri, a towering figure in the history of Iran's revolutionary government. At the time of his weekend death in his sleep, he was perhaps the most credible face of the country's persistent opposition movement.

The role Ayatollah Montazeri will play in death will come into clearer focus in the next two weeks. His admirers Monday began to vent their sorrow in funeral processions, at the outset of a 10-day religious holiday that figures to produce more public shows of opposition.

Ayatollah Montazeri was a religious leader of considerable import—indeed, he once was designated to become the nation's supreme religious leader—but in the last six months was most noteworthy as the senior religious leader most openly sympathetic with the opposition movement that sprang up in Tehran's streets after June's disputed presidential election. Yet at 87 years of age, in poor health, and restricted to the holy city of Qom, he was never likely to become the active leader of a movement opposing the regime of Supreme Leader Ayatollah Ali Khamenei and President Mahmoud Ahmadinejad.

Indeed, one of the most serious shortcomings of the opposition movement, despite its resilience in the face of concerted government attempts to squelch it, has been the absence of a catalytic personality to serve as its heart and soul. The logical leader should be Mir-Hossein Mousavi, the presidential candidate who appeared to be robbed of his chance at victory in that June election. But he is too reserved and cautious by nature, and too vulnerable to pressure from the government, to have really stepped into that role.

Mehdi Karroubi, former speaker of the Iranian parliament, and Mohammad Khatami, the former Iranian president, both also have become champions of the reform movement. Yet they also are equally exposed to government pressure.

In death, though, Ayatollah Montazeri will be immune from government pressure and intimidation. His withering criticisms of the regime are on the record, and can't be compromised.

It isn't unusual for revolutionary and counter-revolutionary figures to provide inspiration from the grave. Indeed, the Iranian opposition already has, to some extent, one such figure, albeit of far less stature: Neda Agha-Soltan, the 26-year-old woman whose death at the hands of government agents trying to suppress a street protest was captured on video and galvanized government foes in and out of Iran.

History offers other examples. Newspaper publisher Pedro Chamorro, murdered by enforcers for Nicaraguan dictator Anastasio Somoza Debayle in 1978, became the rallying figure for the Nicaraguan revolution in following years—and, ultimately, the galvanizing figure for the counter-revolution that followed. Similarly, both the Cuban revolution led by Fidel Castro and the counter-revolutionaries that resisted him rallied around a deceased Cuban nationalist, José Marti.

The potential role for Ayatollah Montazeri as an opposition icon lies not just in his vocal dissents in the latter months of his life, but in the outsized role he played in his country's history over the last quarter century. It's a role that may not be immediately apparent to those who don't follow Iranian politics closely.

Ayatollah Montazeri was close to Iran's ultimate revolutionary leader, Ayatollah Ruhollah Khomeini, and was a leader of the incipient revolution against the Shah of Iran while Ayatollah Khomeini was in exile. After the revolution, Ayatollah Montazeri was selected to succeed Ayatollah Khomeini as the country's paramount religious leader.

And history would have taken a much different turn had that course been followed. Ultimately, though, Ayatollah Montazeri, though a staunch believer in an Islamic justice system, had liberal beliefs that separated him from not just Ayatollah Khomeini, but the other conservative mullahs who surrounded him.

Ayatollah Montazeri slowly fell from grace with the ruling establishment, and then was ousted when he objected to the mass killing of Iranian opposition figures in the wake of the Iran-Iraq war. After he spoke out, he was stripped of his position and sent to house arrest in the holy city of Qom. Yet "there is little doubt that Ayatollah Montazeri outranks not only all the clerics who are now in power, but all the other grand ayatollahs in theological schools in Qom," wrote Iranian opposition figure Alireza Jafarzadeh in a 2007 book.

So odds are good that, at least in the next week or two, Ayatollah Montazeri will take on in death an opposition role greater than the one he was playing in the final weeks of life. And odds are equally good that President Ahmadinejad will try, perhaps brutally, to suppress that impulse.

In either case, the developments pose a new test for U.S. President Barack Obama. He continues to try to both deal with the Iranian regime while showing sympathy for the opposition movement that wants to be rid of it.

That balancing act will get tougher as the U.S. moves next month toward more economic sanctions against Iran's government to protest its nuclear program. The memory of Ayatollah Montazeri hovering over the proceedings may make the balancing act trickier still.

Associatd Press

Two pro-reform Iranian women attend the funeral ceremony of Grand Ayatollah Hossein Ali Montazeri, the spiritual father of Iran's reform movement, as they wear green headbands, the symbolic color of the opposition, in Qom on Monday.

# Funeral rouses Iran

*Protesters rally to mourn cleric who opposed government crackdowns*

By Farnaz Fassihi

Iran's opposition seized upon the death of one of the Islamic republic's founding fathers—a revered ayatollah who was also a fierce critic of the nation's leadership—to take to the streets in mourning.

Tens of thousands of Iranian mourners—many chanting protest slogans—joined the funeral procession Monday for Grand Ayatollah Hossein Ali Montazeri, who had described government crackdowns as the work of power-hungry despots.

Iranian authorities have barred foreign media from covering the processions in the holy city of Qom for Ayatollah Montazeri, who died Sunday at age 87. But witnesses said many mourners shouted slogans including "Death to the Dictator" in displays of anger against Iran's ruling establishment.

There were no immediate reports of serious clashes from the witnesses.

On Monday, access to the Internet in Iran was slow, and cellphone service was unreliable.

The death of Ayatollah Montazeri, who passed away in his sleep, was one of two surprises to shake Iran over the weekend.

Hours earlier, on Saturday, military prosecutors alleged that prison guards tortured to death at least three student protesters in July, contradicting months of denials by top leaders. The reversal is one of the biggest blows to Tehran's credibility since government protests erupted six months ago.

Either development, by itself, would provide a rallying point for the opposition, which claims last summer's presidential election was a fraud and is demanding a political overhaul. Together, they represent the widening challenges facing the Iranian regime.

The murder allegations center on Tehran's notorious Kahrizak prison, where three protesters died in July. A young doctor who claimed to have evidence of torture at the prison, Ramin Pourandarjani, later died under mysterious circumstances. In recent weeks, Dr. Pourandarjani has emerged as a martyr figure for the opposition.

On Saturday, Iranian military prosecutors issued charges against 12 officials at the prison. That action directly challenges the account of prison deaths provided so far by the government of President Mahmoud Ahmadinejad.

Prosecutors said three prison officials, all from Iran's armed forces, had been charged with first-degree murder. Another nine military officials at the detention center face other, unspecified criminal charges. Authorities didn't name the suspects.

The weekend's events coincide with the 10-day Muharram religious holiday, during which Shiite Muslims traditionally hold emotionally charged street processions to honor a revered Shiite saint. The opposition already had vowed to mark this year's ceremonies with massive daily protests against the government.

Iran's leadership quickly moved to assert control, using tools that have proved effective in the past. Prominent opposition figures and activists reported receiving threatening phone calls from security agents on Sunday, warning them against attending Monday's funeral, according to the International Campaign for Human Rights in Iran. Five prominent opposition figures were reportedly arrested on the road to Qom.

Ayatollah Montazeri's death provides an opportunity for Iran's dissident clergy members, who have mostly remained on the sidelines, to publicly show support for the opposition. In Iran, political movements have little chance to succeed without backing from the clergy.

For the government, the risk is that mourning processions become political marches.

"The emotional and political impact of Ayatollah Montazeri's death could morph into a widespread flame that the government cannot contain," said Mohamad Javad Akbarein, a religious scholar and former student of the ayatollah's.

The Obama administration publicly mourned the passing of Ayatollah Montazeri, in an unusual move U.S. officials said was designed to align the White House with Iran's democratic movement.

But U.S. officials also stressed that the cleric's death and the continuing political protests inside Iran are unlikely to significantly alter President Barack Obama's overall strategy of seeking to engage Tehran in the near term.

"It's unlikely that anything in the short term of any significance is going to change toward Iran," a senior U.S. official briefed on Iran policy said Sunday. "With Montazeri's voice gone, what happens to the movement? That remains to be seen."

*—Jay Solomon contributed to this article.*

# WTO upholds ruling against China

Associated Press

GENEVA— The World Trade Organization's top arbitrators upheld a ruling that China is illegally restricting imports of U.S. music, films and books, and Washington pushed forward with a new case accusing China of manipulating the prices for key ingredients in steel and aluminum production.

Monday's verdict by the WTO's appellate body knocked down China's objections to an August decision that came down decisively against Beijing's policy of forcing American media producers to route their business through state-owned companies.

If China fails over the next year to bring its practices in line with international trade law, the U.S. can ask the WTO to authorize commercial sanctions against Chinese goods.

WORLD NEWS

# Historic health-overhaul vote looms

*Senate Democrats move to close off debate, with passage likely on Christmas Eve; estimated 30 million to get insurance*

By Greg Hitt And Janet Adamy

Getty Images

Sen. Ben Nelson talks to reporters after the Senate passed the first of three crucial procedural votes on health care reform on Dec. 21 by a 60-40 margin.

WASHINGTON—The Democratic-controlled Senate, voting 60-40, swept aside Republican objections and moved to close off debate on health overhaul legislation, marking a milestone moment for President Barack Obama's most pressing domestic initiative.

All 58 Democrats and two independents voted to approve the first—and most crucial—of three motions needed to break off action, as the Senate entered a fourth week of debate on the bill. All Republicans voted no.

The roll call, which began shortly after 1 a.m. Monday, was effectively a test vote for the sweeping bill. The action made clear the White House has enough votes to ensure passage—likely on Christmas Eve—of the broadest health legislation in a generation. The measure would ensure that some 30 million Americans will gain insurance coverage over the next decade, while taxes will rise on groups ranging from medical-device makers to customers of tanning salons.

The more than 2,000-page Senate bill needs to be reconciled with House-passed legislation, but is likely to form the core of any final bill presented to President Obama for his signature.

With the vote looming, Senate Minority Leader Mitch McConnell (R., Ky.) urged "Democrats to put party loyalty aside" and join with Republicans in derailing the bill. "It's not too late," he said, warning Democrats they would pay a price for moving the bill. "The impact of this vote will long outlive this one frantic, snowy weekend in Washington."

Democrats accused Republicans of engaging in scare tactics and insisted the legislation—while not popular in opinion polls—would meet an urgent national need. "We're going to move forward," said Sen. Tom Harkin (D., Iowa). "We're not going to vote fear. We're going to vote hope."

Months in the making, the Senate bill would sharply expand Medicaid—the federal-state health program for the poor—and create tax subsidies to help low- and middle-income people comply with a new mandate to carry insurance.

The Senate bill would generally leave the existing employer-based health-insurance system intact. Americans who already have coverage on the job wouldn't be likely to see big immediate changes. Larger companies would be required to pay a fee to the government if they didn't offer affordable insurance to employees and if the employees later sought government help paying for insurance.

Last-minute additions toughened restrictions on insurers. Starting next year, they would be barred from denying coverage to children with pre-existing conditions. As before, that provision would apply to adults starting in 2014. The bill would create a national exchange, or marketplace, where individuals and small businesses could buy insurance.

To pay for the program, the measure would impose cuts of some $480 billion over a decade in payments to providers of Medicare, the federal health program for the elderly and disabled. The provision is at the core of Republican objections. The bill also would impose new fees of billions of dollars a year on insurers, medical-device makers, pharmaceutical makers and others. And it would establish a tax on insurers offering high-value health policies.

Another late change would hit customers of indoor tanning salons, who would pay a 10% tax. That replaced a proposed tax on cosmetic surgery, which was projected to raise about $5 billion over a decade. The Senate bill doesn't directly affect income taxes.

The Congressional Budget Office estimated the bill would cost $871 billion over a decade and leave 31 million fewer people uninsured than if current law were in place—although 23 million Americans, many on the edges of society, would still be uninsured. It projected the bill would hold federal deficits to $132 billion less than they otherwise would be over a decade, owing to new taxes and other changes.

If the Senate bill passes and goes to a conference committee with the House, as expected, the House is likely to do most of the reconciling. That's because Senate Majority Leader Harry Reid—after battling for weeks to get the minimum number of votes needed to avert a Republican filibuster—has little room to maneuver. The House passed its version on Nov. 7 on a 220-215 vote.

President Obama hopes to sign a final bill before his State of the Union address after the first of the year so he can turn to other issues, in particular the economy and jobs, in a bid to boost support for Democrats in the 2010 elections.

A flurry of weekend deal making amid a December snowstorm locked in the final elements of the Senate bill and got the support of the last Democratic holdout, Ben Nelson of Nebraska. He won a tightening of rules to ensure that no federal money allocated under the bill is used to fund abortions, and got more money for his state in the Medicaid program.

Democratic leaders also threw in $10 billion in spending on community health centers, a nod to liberals. The agreements set the stage for Monday's key procedural vote.

The issue is likely to define the battle lines of the 2010 midterm elections, given the partisan nature of the Senate vote.

Republicans said the legislation would impose big costs on government and taxpayers, and they denounced Mr. Nelson. Sen. Tom Coburn (R., Okla.), speaking on the Senate floor Sunday as the chamber spent a third weekend in a row tackling health care, labeled the Nebraskan's deal the "full Nelson." He added: "It's a shame the only way we can come to a consensus in this country is to buy votes."

Asked about Republican charges that Nebraska received special attention, Sen. Nelson said he was simply trying to deal with the potential budget problems the Medicaid expansion would create for his state. "I didn't ask for a special favor here. I didn't ask for a carve-out," he said on CNN's "State of the Union." He added the state's governor complained "publicly he's having trouble with the budget."

The final bill is also likely to embrace a version of the Senate's proposed tax on high-value insurance plans, rather than add a surtax on the wealthy, as the House wanted.

# Tax exemption is a bright spot for insurers

By Avery Johnson

A compromise on the healthcare overhaul that the U.S. Senate reached this weekend offered some relief for insurance companies, specifically for nonprofits that could win exemption from a new $6.7 billion tax.

Part of the deal was an exemption for nonprofit insurance companies that met several requirements. One way to qualify is to spend an average of 92% of premiums on health-care expenses. That spending measure, called a company's medical-loss ratio, is closely watched to determine how much insurers take in profits.

Few companies, though, would qualify for that exemption. Goldman Sachs analyst Matt Borsch says just four insurers reached that threshold in 2008. America's Health Insurance Plans, the industry trade group, said federal data show that plans on average spend 87% of premiums on care.

The provision also could exempt nonprofit insurers that provide guaranteed-issue coverage to people who can't get insurance plans elsewhere.

Nonprofit companies, which are exempt from some taxes, insure roughly 50% of people with health coverage. Many nonprofit plans are Blue Cross Blue Shield plans.

The tax would land on private insurers, who are expected to pass it onto customers.

WellPoint Inc., a for-profit insurer whose business is composed largely of Blue plans that it has acquired, oppose the exemption for nonprofits from the new tax. The company says the exemption would unfairly tax some states, such as Virginia, where primarily for-profit plans operate.

"We've talked to the states where there are a high proportion of for-profit plans to let them know this is a tax on those states," said Brad Fluegel, WellPoint's chief of strategy. "Just because they are not-for-profit doesn't mean they don't make money," he said of the nonprofits, citing income that goes toward administrative expenses and overhead.

AHIP and the Blue Cross Blue Shield Association said they are opposed to any tax on insurers, regardless of nonprofit status. Jeff Smokler, a spokesman for the Blue plans' trade group, said he hopes the tax is addressed by Congress when the House and Senate versions of the health bill are shaped into compromise legislation.

Still, the latest version in the Senate contained some bright spots for insurers, at least compared to potential provisions discussed that required insurers to spend 90% of premiums on health care. This weekend's version set the minimum medical-loss ratio at 85% for large-company coverage and 80% for small group and individual businesses.

"I think 85% for large group is not a problem; that's where they are anyway," said Mr. Borsch, the Goldman Sachs analyst. "Companies are going to have to change their business model to operate in the individual market at 80%," he said, citing commissions for brokers that might have to get cut.

The latest version also delayed the $6.7 billion tax, meant to help fund the health-care overhaul, until 2011 and introduces it gradually. "We do appreciate that they have delayed the tax, but there is still a large tax in 2011, 2012 and 2013 that are going to raise costs before benefits kick in [in 2014]," said Robert Zirkelbach, spokesman for AHIP.

WORLD NEWS

# Sierra Club has a pro-gas dilemma

*Big U.S. environmental group's stance on drilling by companies has angered many members in several states*

By Ben Casselman

LIVERPOOL, N.Y.—When energy companies began preparations to drill for natural gas in upstate New York last year, the local Sierra Club quickly organized against them.

The group's New York chapter demanded studies on the environmental risks, pushed for stricter regulations and called for a statewide ban on most gas drilling. The drilling hasn't begun as the state works to develop regulations.

It would have been a typical story of environmentalists battling industry, except for one thing: The national Sierra Club is one of natural gas's biggest boosters.

Carl Pope, the Sierra Club's executive director, has traveled the U.S. promoting natural gas's environmental benefits, sometimes alongside Aubrey McClendon, chief executive of **Chesapeake Energy** Corp., one of the biggest U.S. gas companies by production.

The national group's pro-gas stance has angered on-the-ground environmentalists in several states who say their concerns are being marginalized.

"It makes us look like the extremists that the industry wants to call us anyway," said Beth Little, a board member of the Sierra Club's West Virginia chapter, which is more skeptical about drilling than the national organization.

The rift in the Sierra Club, one of the country's oldest and most prominent conservation groups, highlights deep divisions in the broader environmental community over natural gas. And pressure from local activists is forcing some major environmental groups to revisit their positions on drilling.

Some activists, such as Mr. Pope, believe increased drilling—with appropriate safeguards—is the best way to wean the U.S. off coal, which they see as the greater environmental threat.

Others, many of them in areas affected by drilling, see potential risks—air pollution, increased water use and soil and water contamination—as too high.

"It's been an at-times rancorous debate in the environmental community," said Bruce Baizel, an attorney for Earthworks, a national environmental group focused on energy issues.

That debate will likely grow more heated following **Exxon Mobil** Corp.'s announcement last week that it is buying **XTO Energy** Inc. The deal will make Exxon, already a significant target of environmentalists, into the biggest U.S. natural-gas producer.

The industry has made the environmental benefits of gas a centerpiece of an $80 million lobbying effort that aims to promote increased use of gas to generate electricity and fuel cars and trucks. Burning natural gas releases about half as much carbon dioxide as burning coal to produce the same amount of energy and also emits far fewer smog-causing gases such as nitrogen oxide.

Newscom

Activists rally against drilling for natural gas in the New York City watershed prior to a public hearing on the issue last month in New York.

National groups such as the Sierra Club, the Environmental Defense Fund and the Natural Resources Defense Council have backed natural gas as a so-called bridge fuel that can help the country move away from coal and oil without waiting for renewable sources of energy, such as wind and solar power, to catch up.

The support of environmental groups has helped the industry win key backers in Congress, where a bipartisan "Congressional Natural Gas Caucus" formed this year.

But local opposition presents a challenge to the coalition. Grassroots groups have sprung up across the country to raise environmental concerns, particularly about the alleged risk of drinking-water contamination from hydraulic fracturing, a process in which large volumes of chemical-laced water are injected down wells to release gas trapped in underground rock formations.

Companies say that their drilling practices, including hydraulic fracturing, are safe, and that existing regulations are sufficient. There have been few independent studies to assess how widespread problems are.

"There are legitimate questions, and they can be answered legitimately," said Mr. McClendon, Chesapeake's CEO. "I feel we're on the right side of history here."

The pressure from local environmentalists appears to be having an impact. The Natural Resources Defense Council is now pushing for stricter regulation of drilling, the Environmental Defense Fund is working with companies to encourage them to adopt stronger environmental safeguards, and the Sierra Club has formed a task force to draft a policy on hydraulic fracturing.

James Marston, director of the Environmental Defense Fund's energy program, said the pros and cons of increased natural-gas use have turned out to be "more complicated than some of the early reports" indicated.

Concern appears to be growing in Congress, too, about the environmental impact of drilling. A House bill to regulate hydraulic fracturing has drawn 49 co-sponsors, and a companion bill has been introduced in the Senate.

Exxon is sufficiently concerned about the legislation that its merger agreement with XTO allows the company to back out of the deal if Congress makes hydraulic fracturing illegal or "commercially impracticable."

# France to probe Chunnel rail-link shutdown

By Christina Passariello

PARIS—The Anglo-French Eurostar rail line offered a glimmer of hope to some of its 90,000 stranded passengers that trains could resume service Tuesday, as the company came under fire from the French government.

Eurostar said it is conducting test runs with a modification of its engines that, if successful, will allow trains to begin running again Tuesday. Seats for 26,000 passengers will be available Tuesday, Eurostar said. The service was suspended for the third day Monday, and ticket sales have been suspended through Friday, Christmas Day, as officials try to resolve the problems that brought about the service's worst shutdown ever.

France's transport minister said the government would launch a probe into Eurostar's breakdown, saying a technical shutdown of the service because of weather conditions was unacceptable. Separately, French President Nicolas Sarkozy called on Eurostar to resume operations Tuesday during an emergency meeting with the president of French rail operator SNCF, a shareholder of Eurostar.

"We can't accept that this fundamental link (...) doesn't function because snow falls," Transport Minister Dominique Bussereau told French radio Europe 1 from Beijing, where he is on an official visit. Separately, Eurostar said it has asked independent rail experts to conduct a separate investigation into the incident. Eurostar was expected to give an update later Monday on when the trains might start running again.

Meanwhile, freight and car services through the Channel Tunnel were experiencing "service disruptions" Monday and the service operator advised day-trip customers not to travel, according to a statement on its Web site.

Groupe Eurotunnel SA won't honor day-trip bookings as "adverse weather is making driving conditions on both sides of the Channel difficult," it said.

Five Eurostar trains stopped on their tracks Friday evening as they were inside the tunnel under the English Channel, leaving more than 2,000 people trapped in the dark and cold—some for more than 12 hours, according to a Eurostar spokesman.

After conducting tests for much of Sunday, Eurostar officials said the cause of the breakdown was that cold, dry air from the freezing weather in northern France mixed with the warm, humid air of the tunnel and caused condensation that prompted the engines to shut down.

"Extreme weather can cause delays, but nothing like this," said the company spokesman, who said the shutdown for weather reasons was unprecedented. The Eurostar service was suspended for two days in September 2008 after a fire in the Chunnel, the 30-mile tunnel that runs between England and France.

"We will not start services again until we are sure we can get them through safely," Eurostar Chief Executive Richard Brown told BBC television, adding that normal service might not return for days. In a statement, Eurostar encouraged travelers to cancel their trips if possible or reschedule for a later date.

Yet with less than a week to go before Christmas, travelers fretted that their options for getting home are running out.

Tim Powell, a 30-year-old English teacher in Paris, ended up back at his house on Saturday night after a six-hour journey that took him as far as the northern French city of Lille before the train stopped and turned back.

Mr. Powell said he was hoping to get onto a Eurostar train on Monday. If not, he plans to make the journey to England by bus on Tuesday; the rail-transport service through the Chunnel has been unaffected.

"I'm annoyed I'm in Paris and not in London, and I'm worried I might not make it back at all for Christmas," he said.

French European parliamentarian Dominique Baudis was traveling to London from Paris on Friday night when his train broke down. He said the trip took 12 to 13 hours, including six hours inside the tunnel.

Passengers were "without water, without any information and without any help provided to the most vulnerable passengers," he said.

*—Cassandra Vinograd in London contributed to this article.*

Participants wear 3-D glasses at the International Consumer Electronics Show in January in Las Vegas.

# TV manufacturers are taking a big bet on 3-D at home

*Potential gain hinges on whether consumers will immediately flock to the product; glasses will be a big part of the cost*

Associated Press (2)

A model demonstrates Sony's video game in 3-D at Japan's consumer electronics show in October.

By Daisuke Wakabayashi And Evan Ramstad

With flat-panel TVs selling for the prices comparable to ordinary televisions a few years ago, manufacturers searching for the next profit boost are preparing a big push with models that can display pictures in 3-D.

The world's biggest TV companies are hoping the move will let them capitalize on the billions of dollars they have invested in display technologies this decade and stay a step ahead of the discount brands that have taken a sizable bite from their market share.

But the potential gain from 3-D TVs hangs on whether consumers will immediately flock to the technology, and whether there's enough appealing 3-D content to draw them. A delay will allow other manufacturers time to catch up, leading to the price competition that routinely whittles down profits in electronic goods.

This year marked a massive roll-out of 3-D technology in movie theaters. Just this weekend, Twentieth Century Fox's "Avatar," whose director James Cameron spent years refining the technology, opened world-wide and sold more than

# TECHNOLOGY

## Through the Looking Glass | Two types of 3-D TV technologies

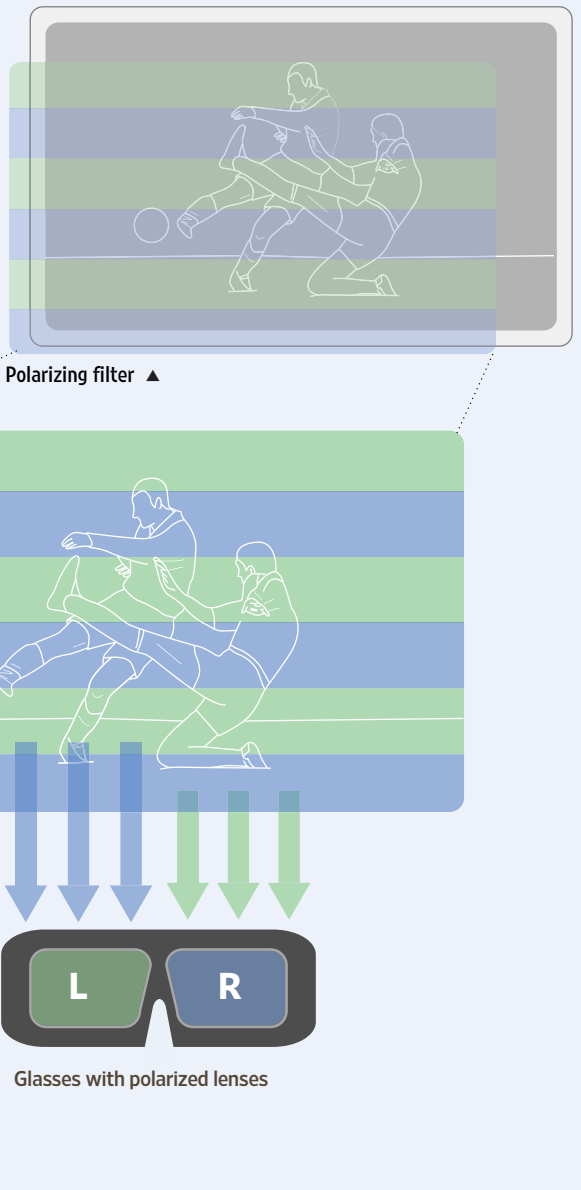
### Passive glasses

This technology is similar in principle to what you get at the movies, although the glasses don't have different-colored lenses.

The TV's polarizing filter divides images into two versions seen separately by each lens of the glasses.

■ **Pro:** Cheaper glasses

■ **Con:** Picture quality may be lower than active-shutter glasses



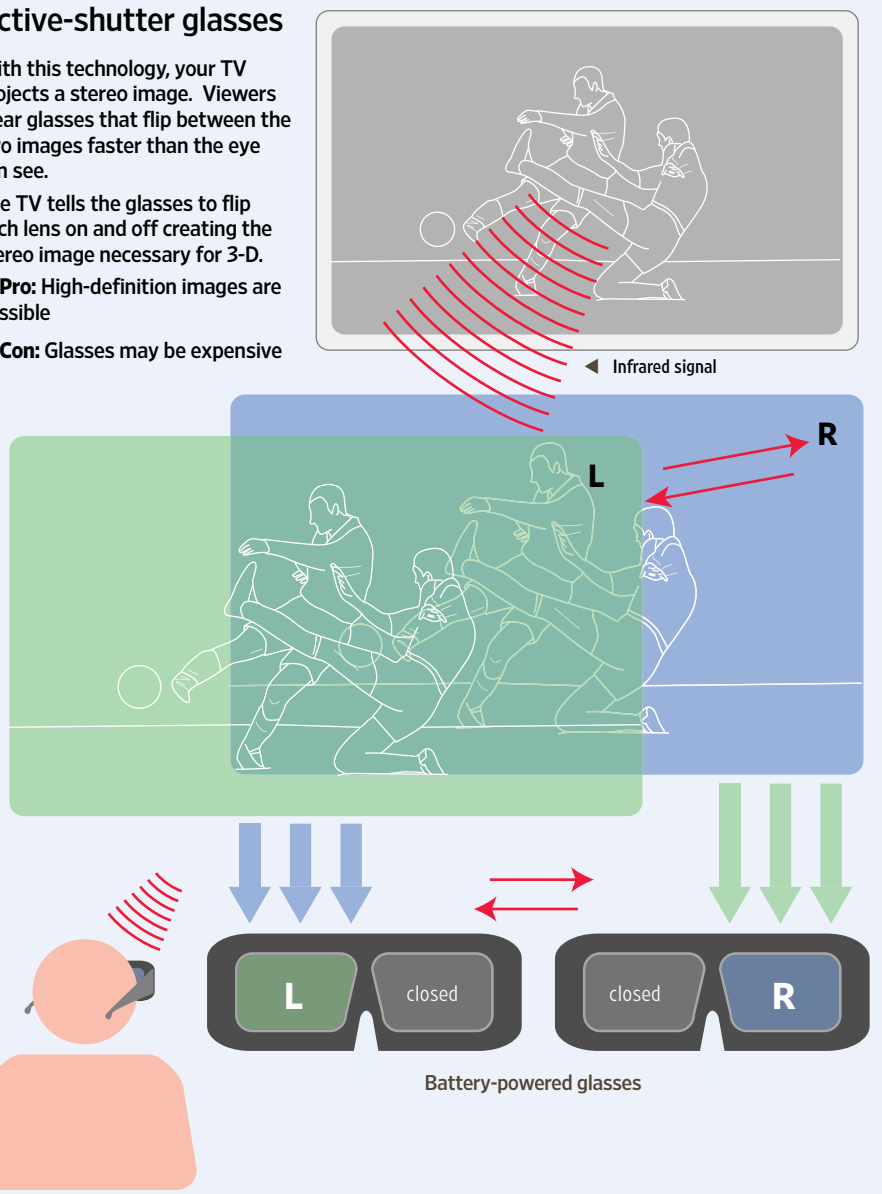

### Active-shutter glasses

With this technology, your TV projects a stereo image. Viewers wear glasses that flip between the two images faster than the eye can see.

The TV tells the glasses to flip each lens on and off creating the stereo image necessary for 3-D.

■ **Pro:** High-definition images are possible

■ **Con:** Glasses may be expensive




Note: The blue and green used in the illustration are for reference only and are not representation of actual images appear on 3D TVs or the color of the glasses.

Source: WSJ reporting

$230 million in tickets, which were priced at premium in many places because of the 3-D effects. **Sony** Corp. and other electronics manufacturers are racing to develop equipment that aims to provide a comparable 3-D viewing experience at home.

Last week, Sony struck a partnership with RealD, a maker of 3-D technology and equipment, such as eyewear. Under the terms of the deal, Sony will license the company's technology to produce equipment that is expected to hit stores in 2010.

At next month's big Consumer Electronics Show in Las Vegas, Sony, **Panasonic** Corp., **Samsung Electronics** Co. and **LG Electronics** Inc. are all expected to unveil 3-D TVs in several forms, including both liquid-crystal-display and plasma-display flat screens. The TVs will also display traditional two-dimensional images.

"3-D will be the keyword for the 2010 CES," says Choi Seung-jong, senior research fellow at LG's digital TV lab in Seoul.

Morgan Stanley electronics analyst Masahiro Ono estimates there may be as many as 50 million 3-D compatible televisions globally in 2012.

Companies haven't announced prices for the new 3-D televisions, but industry executives have said there won't be a huge premium over existing high-end models, which can sell for more than $2,000.

Panasonic says consumers won't be "surprised" by the price difference between 3-D and regular televisions. A Sony executive said it might be looking at charging an extra $200 for its 3-D televisions—mainly to cover its costs and the price of the specially made glasses.

LG for several months has sold a 47-inch 3-D LCD in South Korea for about double the price of a comparably sized model. So far LG and **Mitsubishi Electric** Corp. are among the few manufacturers with a 3-D TV on the market, but they haven't gained widespread adoption amid a paucity of 3-D discs and broadcasts.

The glasses will be a big part of the cost. Sony and Panasonic are backing battery-operated "active-shutter" glasses, which are expected to cost more than $50 a pair. The glasses open and close each eye in sequence with images alternating on the screen at such high speeds that it appears to be a single 3-D image.

This differs from the cheaper "passive" glasses, which are similar to the technology used in movie theaters. Those types of glasses use a filter to split the screen into images for the right and left eye.

Many electronics and technology companies, including Japan's **NEC** Corp. and **Hitachi** Co., are working on 3-D displays that don't require glasses, but technological and cost hurdles hinder efforts to make them mainstream product.

One hitch: the technology requires a viewer to sit directly in front of the TV at a distance not too far and not too close to the screen. Industry executives say it could take between five to 10 years for a glasses-free television to be ready for the mass market.

Technically, TV manufacturers have been aided by the ongoing shift from analog to digital transmission of TV signals by broadcasters, cable and satellite systems in many countries. With digital technology, engineers can more precisely control the steps necessary to create the 3-D image.

The competition between LCD and plasma displays also helped manufacturers bridge technical problems. In LCD, for instance, manufacturers increased frame rates, or hertz levels, to smooth out fast moving images—something that turns out to help the processing of more complex 3-D images.

Sony opted to put its muscle behind LCD televisions with frame rates twice as fast as conventional LCD television sets. While this feature was a tough sell in 2-D televisions, since the picture improvement isn't obvious, the technology is critical to displaying natural-looking 3-D images. Panasonic also sees a chance to revive faster-responding plasma displays, which have lagged behind brighter LCD televisions.

The new technology gives Japanese manufacturers a chance to catch up to their Korean rivals. Samsung and LG are riding high from strong sales of high-margin, ultra-thin LCD models.

Manufacturers are also pushing 3-D technology into computer monitors. **LG Display** Co., a South Korea-based maker of the LCD panels, earlier this month unveiled a 23-inch high-definition 3-D panel for desktop computers.

"First, we saw 3-D was good for movie theaters, then we saw it's good for high-end TVs," said David Choi, a vice president at LG Display. "With Blu-ray DVD drives being installed in desktop PCs, we realized 3-D will follow to computers."

*—Gabriel Kahn contributed to this article.*

**The world's biggest TV companies are hoping the move will let them capitalize on the billions of dollars they have invested in display technologies and stay ahead of discount brands that have taken a bite from their market share.**

## Bazaar: Hong Kong

What they're buying at Asia's gadget emporiums

**The place** Audiocom Technology Ltd., Golden Computer Arcade, Sham Shui Po, Hong Kong

**The goods** Melco Holdings Inc.'s Buffalo MiniStation Lite portable hard drive (320 gigabytes, pearl white)

**The specs** Beyond its slim design, the 190-gram backup computer storage device comes with what the company calls Turbo USB software, which it claims can increase file transfer speed. As hard as hardware goes, the data connection is a common USB 2.0 cable outlet. It also comes with software that encrypts data, preventing unauthorized access.

**The price** 520 Hong Kong dollars (US$67)

**The deal** The Audiocom salesman said the portable hard drive is a popular item because of its fast transfer speed and recognition of the Japan-based Buffalo brand name. The salesman was reluctant to bargain, saying the price was already low. In a casual walk through the Golden Computer Arcade—a big electronics mall in Hong Kong that's reputed to be the city's best place for gadget deals—we couldn't find a lower price. On Buffalo's official Web site, it sells for US$89.99 (697 Hong Kong dollars).

*—Lorraine Luk*

Buffalo Technology

The Sonos ZonePlayer S5 can be part of a multiroom digital sound system controlled by a free iPhone app.

Sonos

# Audio system offers wireless way to spread music through the house

*Sonos's ZonePlayer S5 plays songs from your computer, the Internet and even radio stations*

By Katherine Boehret

**THE MOSSBERG SOLUTION**

Installing a multiroom stereo system can involve drilling holes in walls, running wires throughout the house and spending a lot of money. And after all that, the stereo still won't have access to as much music as your computer. Last week, I tested an alternative to the traditional stereo system that lets you control digitally delivered music in multiple rooms without spending a lot of money.

I tested **Sonos** Inc.'s $399 ZonePlayer S5 (Sonos.com/S5), an all-in-one system that plays music off of your Windows PC or Mac, including music files on the computer, content from Internet radio sites Pandora and Last.fm, local radio stations, Sirius Internet radio, Napster and Rhapsody. The S5 plugs directly into your router and a wall outlet, and a simple software program installs on your computer, working as a desktop remote control. It can work in concert with other S5s or other Sonos products to create a multiroom system around your house. And a free iPhone or iPod Touch app facilitates full remote control of multiple systems.

Since 2005, Sonos has offered high-end audio systems that permit people to listen to their digital music in multiple rooms on stereo systems with straightforward setups and simple remote controls. But its past products were relatively costly and required users to provide an existing stereo setup, powered speakers or a device (like a Bose Wave Radio) that allowed adding components via an auxiliary line-in.

## Streamlined setup

The ZonePlayer S5 is Sonos's first product that works right out of the box and doesn't require additional pieces. It took me very little time to set up and, once set up, sounded great. Music fans will want to know that it has five speakers powered by five dedicated digital amplifiers, two tweeters, two midrange drivers and a subwoofer. Discreet buttons on the top of the S5 can be pressed to mute, raise or lower volume. Sonos's $99 ZoneBridge accessory frees the ZonePlayer S5 from being wired to a router. Most people will need to buy one of these because they don't have their routers set up in the same rooms where they want to keep their ZonePlayer S5s. The ZoneBridge is what it sounds like: It can bridge a connection between your home network and one or multiple ZonePlayer S5s—or other Sonos products. There's no limit to the number of Sonos products that can work with one ZoneBridge.

Last year, Sonos created a free app for Apple's iPhone and iPod Touch that, as of a recent release last month, works just like the standalone $349 Sonos Controller 200, a touch-screen remote control. Using either the free app or the Sonos Controller, people can control music on multiple ZonePlayers and on other Sonos devices. For example, from my iPod Touch, I can mute one ZonePlayer and crank up the volume on another; I can skim through and play a list of Billboard Chart hits from Napster or listen to one of my personalized stations on Pandora.

If you're like me, you don't like bothering with plugs as you move electronics around your house. Even though the ZonePlayer S5 has a built-in handle and can easily be moved around (it weighs only about nine pounds), it will need its AC adapter cord wherever it goes. And the ZonePlayer S5 doesn't have a dedicated iPod dock. Sure, you could buy a cord to plug an iPod into the auxiliary port on the back of the ZonePlayer, but that's not the same as a dock.

## Competition report

Competitors, such as Bose Corp.'s $270 SoundDock Series II, work as speakers and iPod docks. The Bose can't sync with other SoundDocks, as Sonos products are made to do, nor can it wirelessly play music from the hard drive of a nearby Windows PC or Mac. But as long as an iPod Touch or iPhone is loaded with free apps from Pandora or Last.fm, it can be placed in the SoundDock to play Internet radio through this system. And Bose's $360 SoundDock Portable works plugged in or for over three hours on rechargeable batteries, making it easier to move around the house.

It took me less than 10 minutes to set up two ZonePlayer S5s, one ZoneBridge and a Sonos Controller 200 remote control in three different rooms. The ZoneBridge is just 1½ inches tall and its surface measures about the area of a piece of toast. It plugs directly into a router so the S5s can work anywhere within the Wi-Fi network, though they still must each be plugged into a power outlet.

I installed Sonos's setup software, which came on a disc with the ZonePlayer S5, on a Dell XPS One running Windows 7. When prompted, I followed on-screen instructions that explained how to press a button on each ZonePlayer S5, the ZoneBridge and the remote to wirelessly link them to my system. An indicator light on the S5 and ZoneBridge changed from blinking to solid to signify the connection.

Free 30-day trials of Sirius Internet Radio, Napster and Rhapsody come with the ZonePlayer S5, and the software is smart enough to set everything up in one step so users can start listening without first filling out any forms (like email address, name etc.). If users don't have accounts with Internet radio sites Pandora and Last.fm, they must go to those sites to create accounts online.

I entered my Pandora Internet radio user name and password on the computer, and my saved radio stations appeared on the computer screen. These personalized stations also showed up on the Sonos Controller's colorful touch screen, as well as in the Sonos Controller app on the iPhone. And Pandora's thumbs-up and thumbs-down buttons also work on these portable remotes, so my musical preferences were saved in my account as I selected each to indicate whether or not I liked a song.

I played all sorts of content from the Web directly on my ZonePlayer S5s: hip-hop from Jay-Z, Ella Fitzgerald jazz, classical Christmas songs sung by the York Minster Choir, my local NPR station and tracks from Shakira's new "She Wolf" album. I also listened to music from my computer's hard drive.\The Sonos ZonePlayer S5 lets you build a stereo system that can be wirelessly spread around with help from the company's $99 ZoneBridge. And, as is the case with all Sonos products, the setup process is fantastically simple. Now that the iPhone and iPod Touch can use a free remote-control app that works just as well as the Sonos Controller 200, these players are even more accessible.

*Email:mossbergsolution@wsj.com*

**WSJ.com**

**Online today:** See video about the Sonos Zone Player at **WSJ.com/PersonalTech.**

# Change Nobody Believes In

And tidings of comfort and joy from Harry Reid too. The Senate Majority Leader has decided that the last few days before Christmas are the opportune moment for a narrow majority of Democrats to stuff ObamaCare through the Senate to meet an arbitrary White House deadline. Barring some extraordinary reversal, it now seems as if they have the 60 votes they need to jump off this cliff, with one-seventh of the economy in tow.

Mr. Obama promised a new era of transparent good government, yet on Saturday morning Mr. Reid threw out the 2,100-page bill that the world's greatest deliberative body spent just 17 days debating and replaced it with a new "manager's amendment" that was stapled together in covert partisan negotiations. Democrats are barely even bothering to pretend to care what's in it, not that any Senator had the chance to digest it in the 38 hours before the first cloture vote was held at 1 a.m. Monday morning. After procedural motions that allow for no amendments, the final vote could come at 9 p.m. on December 24.

Even in World War I there was a Christmas truce.

The rushed, secretive way that a bill this destructive and unpopular is being forced on the country shows that "reform" has devolved into the raw exercise of political power for the single purpose of permanently expanding the American entitlement state. An increasing roll of leaders in health care and business are looking on aghast at a bill that is so large and convoluted that no one can truly understand it, as Finance Chairman Max Baucus admitted on the floor last week. The only goal is to ram it into law while the political window is still open, and clean up the mess later.

* * *

■ *Health costs*. From the outset, the White House's core claim was that reform would reduce health costs for individuals and businesses, and they're sticking to that story. "Anyone who says otherwise simply hasn't read the bills," Mr. Obama said over the weekend. This is so utterly disingenuous that we doubt the President really believes it.

The best and most rigorous cost analysis was recently released by the insurer WellPoint, which mined its actuarial data in various regional markets to model the Senate bill. WellPoint found that a healthy 25-year-old in Milwaukee buying coverage on the individual market will see his costs rise by 178%. A small business based in Richmond with eight employees in average health will see a 23% increase. Insurance costs for a 40-year-old family with two kids living in Indianapolis will pay 106% more. And on and on.

These increases are solely the result of ObamaCare—above and far beyond the status quo—because its strict restrictions on underwriting and risk-pooling would distort insurance markets. All but a handful of states have rejected regulations like "community rating" because they encourage younger and healthier buyers to wait until they need expensive care, increasing costs for everyone. Benefits and pricing will now be determined by politics.

■ *Steep declines in choice and quality.* This is all of a piece with the hubris of an Administration that thinks it can substitute government planning for market forces in determining where the $33 trillion the U.S. will spend on medicine over the next decade should go.

> A bill so reckless that it has to be rammed through on a partisan vote on Christmas eve.

This centralized system means above all fewer choices; what works for the political class must work for everyone. With formerly private insurers converted into public utilities, for instance, they'll inevitably be banned from selling products like health savings accounts that encourage more cost-conscious decisions.

Unnoticed by the press corps, the Congressional Budget Office argued recently that the Senate bill would so "substantially reduce flexibility in terms of the types, prices, and number of private sellers of health insurance" that companies like WellPoint might need to "be considered part of the federal budget."

With so large a chunk of the economy and medical practice itself in Washington's hands, quality will decline. Ultimately, "our capacity to innovate and develop new therapies would suffer most of all," as Harvard Medical School Dean Jeffrey Flier recently wrote in the U.S. edition of the Journal. Take the $2 billion annual tax—rising to $3 billion in 2018—that will be leveled against medical device makers, among the most innovative U.S. industries. Democrats believe that more advanced health technologies like MRI machines and drug-coated stents are driving costs too high, though patients and their physicians might disagree.

"The Senate isn't hearing those of us who are closest to the patient and work in the system every day," Brent Eastman, the chairman of the American College of Surgeons, said in a statement for his organization and 18 other speciality societies opposing ObamaCare. For no other reason than ideological animus, doctor-owned hospitals will face harsh new limits on their growth and who they're allowed to treat. Physician Hospitals of America says that ObamaCare will "destroy over 200 of America's best and safest hospitals."

■ *Blowing up the federal fisc*. Even though Medicare's unfunded liabilities are already about 2.6 times larger than the entire U.S. economy in 2008, Democrats are crowing that ObamaCare will cost "only" $871 billion over the next decade while fantastically reducing the deficit by $132 billion, according to CBO.

Yet some 98% of the total cost comes after 2014—remind us why there must absolutely be a vote *this week*—and most of the taxes start in 2010. That includes the payroll tax increase for individuals earning more than $200,000 that rose to 0.9 from 0.5 percentage points in Mr. Reid's final machinations. Job creation, here we come.

The truth is that no one really knows how much ObamaCare will cost because its assumptions on paper are so unrealistic. To hide the cost increases created by other parts of the bill and transfer them onto the federal balance sheet, the Senate sets up government-run "exchanges" that will subsidize insurance for those earning up to 400% of the poverty level, or $96,000 for a family of four in 2016. Supposedly they would only be offered to those whose employers don't provide insurance or work for small businesses.

■ *Political intimidation*. The experts who have pointed out such complications have been ignored or dismissed as "ideologues" by the White House. Those parts of the health-care industry that couldn't be bribed outright, like Big Pharma, were coerced into acceding to this agenda. The White House was able to, er, persuade the likes of the AMA and the hospital lobbies because the federal government will control 55% of total U.S. health spending under ObamaCare, according to the Administration's own Medicare actuaries.

Others got hush money, namely Nebraska's Ben Nelson. Even liberal Governors have been howling for months about ObamaCare's unfunded spending mandates: Other budget priorities like education will be crowded out when about 21% of the U.S. population is on Medicaid, the joint state-federal program intended for the poor. Nebraska Governor Dave Heineman calculates that ObamaCare will result in $2.5 billion in new costs for his state that "will be passed on to citizens through direct or indirect taxes and fees," as he put it in a letter to his state's junior Senator.

So in addition to abortion restrictions, Mr. Nelson won the concession that Congress will pay for 100% of Nebraska Medicaid expansions into perpetuity. His capitulation ought to cost him his political career, but more to the point, what about the other states that don't have a Senator who's the 60th vote for ObamaCare?

* * *

"After a nearly century-long struggle we are on the cusp of making health-care reform a reality in the United States of America," Mr. Obama said on Saturday. He's forced to claim the mandate of "history" because he can't claim the mandate of voters. Some 51% of the public is now opposed, according to National Journal's composite of all health polling. The more people know about ObamaCare, the more unpopular it becomes.

The tragedy is that Mr. Obama inherited a consensus that the health-care status quo needs serious reform, and a popular President might have crafted a durable compromise that blended the best ideas from both parties. A more honest and more thoughtful approach might have even done some good. But as Mr. Obama suggested, the Democratic old guard sees this plan as the culmination of 20th-century liberalism.

So instead we have this vast expansion of federal control. Never in our memory has so unpopular a bill been on the verge of passing Congress, never has social and economic legislation of this magnitude been forced through on a purely partisan vote, and never has a party exhibited more sheer political willfulness that is reckless even for Washington or had more warning about the consequences of its actions.

These 60 Democrats are creating a future of epic increases in spending, taxes and command-and-control regulation, in which bureaucracy trumps innovation and transfer payments are more important than private investment and individual decisions. In short, the Obama Democrats have chosen change nobody believes in—outside of themselves—and when it passes America will be paying for it for decades to come.

# Copenhagen's Lesson in Limits

Whatever led U.S. President Barack Obama to believe that his personal intercession at the climate-change summit would achieve something major, his very presence in Copenhagen made "a significant breakthrough" a political imperative, no matter how flimsy. And that's exactly what a senior Administration official called a last-ditch deal Friday night before Mr. Obama raced back home.

In the wake of Mr. Obama's "breakthrough" with China, India, South Africa and Brazil, the other 187 countries present took the conference into overtime, but couldn't bring themselves to do more than take notice of the sketchy accord and resolve to seriously consider moving forward the next climate-change conference scheduled for next year in Mexico City. In U.N. parlance, "taking notice" is the lowest level of recognition, equivalent to diplomatic disdain.

Mr. Obama's inexplicable injunction Friday that "the time for talk is over" appears, in other words, to have produced an agreement to continue talking. The previous 12 days of frantic sound and pointless fury showed that there isn't anything approaching an international consensus on carbon control. What Copenhagen offered instead was a lesson in limits for a White House partial to symbolic gestures and routinely disappointed by reality.

Under the agreement, China has committed with everyone else to keeping temperature increases to no more than two degrees Celsius. But it tellingly ducked any obligation to cut emissions, despite being the world's number one emitter, and no wonder given the harm such limits would do to China's growing energy needs as it strives to join the world's ranks of industrial powers.

Copenhagen also got hung up on whether countries (especially China) will be "transparent" about whether they are meeting their anticarbon commitments. The Obama Administration claims to be satisfied with the verification pact it struck with China, but China successfully blocked Western attempts to include international monitors of any future emissions targets.

We can understand China's position because nearly every country that ratified Kyoto cheats on it today. Honest carbon accounting would also impede programs like the corrupt "clean development mechanism," where European consumers end up paying Chinese companies for emissions reductions that either aren't real or would have happened anyway. At least Copenhagen's talk did less tangible harm.

OPINION

# China Fetters Its Tech Sector

By Duncan Clark

China today is home to a vibrant communications market, with more than 720 million mobile-phone users and one-third of a billion Internet users. Internet companies are thriving in China's broadband market, enabling a $4 billion-a-year online games industry and booming Internet advertising, e-commerce and social-networking businesses in which native contenders such as Baidu, Tencent and Taobao have outperformed global rivals. Yet now Beijing is undermining the basic policy principles that made this technological boom possible.

**Efforts to cultivate 'indigenous innovation' hurt foreign competitors and domestic consumers.**

To see how, first examine the success of the "Informatization" policy that transformed China from a communications backwater to a behemoth in just over a decade. Frustrated with the slow pace of infrastructure development in the mid 1990s, then Telecommunications Minister Wu Jichuan gave the green light to the roll-out of digital mobile networks and a robust Internet architecture. While Mr. Wu vigorously resisted the ambitions of foreign telecom operators seeking to offer services directly to consumers, he took a different tack on the telecom equipment Chinese providers needed to build out their networks and rebuffed the "Buy China" entreaties of the primarily Soviet-trained and -inspired engineers in the electronics ministry. The basic approach was that Chinese telecom operators were free to buy the best products available on the market, even if that technology was sourced from foreign vendors.

One side-effect of this policy was to force domestic companies to look abroad instead of trying to compete with foreign giants at home. Shenzhen-based vendors Huawei and ZTE did this with great success starting in the late 1990s, first targeting developing markets with attractive prices (and aided by generous Chinese government export credits). In recent years, these companies have been embraced by telecom operators in leading developed markets. Last Monday, Europe's TeliaSonera launched with Huawei in Oslo, along with Ericsson in Stockholm, the world's first commercial next-generation mobile network, which operates at speeds 10 times faster than existing technology. Huawei this year is set to become the world's second-largest vendor, after Ericsson, with more than 70% of its $23 billion in annual sales coming from overseas. Meanwhile, back at home, Chinese consumers have been the biggest winners of technology liberalization as they enjoy easy and affordable access to the latest technologies.

It has been an imperfect victory for liberalization, however, because the "Buy China" crowd never really went away. Over the past decade, Beijing has devoted billions of dollars in subsidies to R&D on questionable projects to displace established global technologies. Chinese researchers have tried to promote a Chinese "WAPI" standard to compete with the successful "WiFi" technology for wireless Internet connections. China has spent heavily on rolling out an indigenous 3G mobile phone technology known as TD-SCDMA even though the global W-CDMA and EV-DO technologies are already proven and widely used elsewhere.

These and other examples are clearly intended to try to displace foreign imports. So far it's not working. WAPI, for instance, has failed to displace WiFi on computers or handsets despite a continued push by its proponents that has triggered substantial trade friction and skewed the market for Chinese consumers. When Apple's iPhone finally hit Chinese shelves in October, over two years after its introduction in America, it did so without its WiFi capability—WAPI supporters had pushed for a regulatory ban. This has contributed to the bizarre phenomenon of an inferior (non-WiFi) product being offered legally at a higher price than the WiFi-capable smuggled product for which Chinese consumers have opted in droves. The local 3G technology is also struggling.

Bloomberg
Domestic firms like ZTE may benefit.

China's central government has an understandable desire to move the country up the global value chain from low-margin, high-polluting manufacturing. Chinese Premier Wen Jiabao in 2006 unveiled a 15-year vision to reduce reliance on foreign technology that mentioned "indigenous innovation" no less than 37 times. This year "indigenous innovation" even merited its own float in the October 1 National Day parade in Beijing, with lofty slogans resplendent amid models of keyboards, computer screens and test tubes.

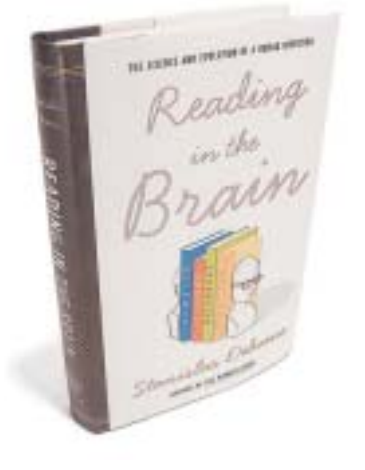
But there's a real danger that "indigenous innovation" is now morphing into outright "Buy China." Last month the Ministry of Science and Technology, the National Development and Reform Commission, and the Ministry of Finance unveiled a new catalog of "National Indigenous Innovation" prioritizing locally developed technologies in government procurement. Although the scope remains unclear, the lack of transparency in the formulation of this new policy and the possible hurdles for foreign companies are a source of grave concern for multinational vendors, some of which have thousands of employees and extensive R&D programs in China.

This could be a sign that protectionism is undermining the pragmatic foundations of China's technology boom. That would be an expensive mistake. Beijing can't afford to turn its back on one of its greatest economic successes.

*Mr. Clark is chairman of BDA China Ltd., a Beijing-based strategy consulting and investment advisory firm.*

# *Information, Please*

[ Bookshelf ]




**Reading in the Brain**
**By Stanislas Dehaene**
(Viking, 388 pages, $27.95)

By Christopher F. Chabris

At its best, science takes what seems simple and commonplace—something we take for granted—and shows us how complicated and wondrous it really is. What you are doing right now—reading—is a case in point.

For adults, reading is an incredibly efficient way of getting information. It is efficient in part because it is so effortless: We can read 500 words in a minute; we can tolerate huge variations in the size and design of the type we read; and we can even use context to understand words we have never seen before. In this combination of ease and proficiency, reading resembles other mental tasks that are more remarkable than we might think and that computers have great difficulty learning to do: recognizing faces, interpreting body language or simply navigating in a confined space—e.g., walking through a living room without bumping into the furniture.

Most cognitive neuroscientists believe that the brain is "modular"—that it consists not of a general-purpose computer that can run any program at any time but of a set of circuits specialized for a particular set of functions. According to the modularity theory, the part of the brain that recognizes faces plays no part in helping us remember our favorite restaurant or in making sure that we don't trip when we climb the stairs. Those functions are the province of other modules.

Alas, modules are like magicians: They do their tricks whenever they must but use methods that they keep secret. If we try to figure out how the brain performs its individual miracles—say, by simply thinking about what goes on in our heads while we navigate or read—we soon hit a brick wall.

Our conscious minds, even upon reflection, just don't seem to have access to the unconscious work our brains do. We may be aware of the input (e.g., a string of printed words) and the output (a sense of their meaning), but we remain ignorant of the process by which we get from one to the other. In his splendid "Reading in the Brain," French neuroscientist Stanislas Dehaene reveals how decades of low-tech experiments and high-tech brain-imaging studies have unwrapped the mystery of reading and revealed its component parts.

How did our brains develop the capacity to read in the first place? For certain long-standing problems of existence, evolution has had plenty of time to design a solution. Indeed, the original concept of brain modularity held that modules were written into the genetic code. But reading is different: It was invented only 5,000 years ago, leaving evolution short of time to sculpt a modular set of circuits for the purpose. Our ancestor species had to cope with recognizing faces and navigating spaces, but they didn't have to follow recipes or do their income taxes—let alone Twitter. Thus our children have to be taught how to read. They don't just pick it up automatically, as they do walking, talking and remembering.

**Our species ancestors didn't have to digest 'Catcher in the Rye.' So how did the brain learn to read?**

Nonetheless, we can read remarkably well. Mr. Dehaene notes that, despite our sense that we are seeing all the text on a page as we read it, we are only really taking in about 12 letters at a time: the word we are focused on and a few of the letters next to it. Clever experiments revealed that, while the eyes are jumping from word to word, every other part of the text can be changed to nonsense and the reader won't even notice. Mr. Dehaene also describes research on the similarities among the world's alphabets and shows how writing systems themselves evolved to become easier to read—by converging on a small set of marks that are combined and recombined to make syllables and words. Across languages, the simpler the mark, the more often it is used. (T and L are more common than K and Y.) The marks are presented with high contrast and pack a large amount of information into a small space.

More important, Mr. Dehaene shows how the brain works around its lack of an evolved module for reading. It turns out that a reader, scanning a text for meaning, is drawing not on a "module" but on a large set of brain regions. Each probably evolved for other purposes, but they are now "recycled" by the demands of our culture for understanding printed text. Areas for understanding language, lodged near the front of the brain, are linked with others farther back that recognize visual details and process the distinctive sounds of human speech.

This model of the reading brain helps to explain, say, dyslexia, which results not from confusing letters but from decoding speech incorrectly. It also accounts for why the faddish "whole language" method of teaching reading has proved inferior to the traditional phonics approach: Only teaching letter-to-sound correspondences enables the brain's systems for vision and hearing to cooperate efficiently and decode words they have never encountered before, an ability that allows children to go beyond what they have been taught by others and to learn new words and ideas.

"Reading in the Brain," is itself a pleasure to read. He never oversimplifies; he takes the time to tell the whole story; and he tells it in a literate way. In one chapter alone he manages to quote Augustine, Molière, Shakespeare and Edgar Allen Poe, as well as scientific journals like Psychological Bulletin and, one of my own bedtime favorites, Reviews of Oculomotor Research. In short, Mr. Dehaene has done a remarkable amount of reading himself. Now, if only someone would explain why vampires are the topic everyone loves to read about.

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OPINION

# Time For Plan B

By Nigel Lawson

The world's political leaders, not least President Barack Obama and Prime Minister Gordon Brown, are in a state of severe, almost clinical, denial. While acknowledging that the outcome of the United Nations climate-change conference in Copenhagen fell somewhat short of their demand for a legally binding, enforceable and verifiable global agreement on emissions reductions by developed and developing countries alike, they insist that what has been achieved is a breakthrough and a decisive step forward.

**The only breakthrough in Copenhagen was China's success in leaving Europe out in the cold.**

Just one more heave, just one more venue for the great climate-change traveling circus—Mexico City next year—and the job will be done.

Or so we are told. It is, of course, the purest nonsense. The only breakthrough was the political coup for China and India in concluding the anodyne communiqué with the United States behind closed doors, with Brazil and South Africa allowed in the room and Europe left to languish in the cold outside.

Far from achieving a major step forward, Copenhagen—predictably—achieved precisely nothing. The nearest thing to a commitment was the promise by the developed world to pay the developing world $30 billion of "climate aid" over the next three years, rising to $100 billion a year from 2020. Not only is that (perhaps fortunately) not legally binding, but there is no agreement whatsoever about which countries it will go to, in which amounts, and on what conditions.

The reasons for the complete and utter failure of Copenhagen are both fundamental and irresolvable. The first is that the economic cost of decarbonizing the world's economies is massive, and of at least the same order of magnitude as any benefits it may conceivably bring in terms of a cooler world in the next century. After all, the reason we use carbon-based energy is not the political power of the oil lobby or the coal industry. It is because it is far and away the cheapest source of energy at the present time and is likely to remain so, not forever, but for the foreseeable future.

Switching to much more expensive energy may be acceptable to us in the developed world (although I see no present evidence of this). But in the developing world, including the rapidly developing nations such as China and India, there are still tens if not hundreds of millions of people suffering from acute poverty, and from the consequences of such poverty, in the shape of malnutrition, preventable disease and premature death.

So for the developing world, the overriding priority has to be

Associated Press

The U.S. president is in deep denial.

the fastest feasible rate of economic development, which means, inter alia, using the cheapest available source of energy: carbon energy.

Moreover, the argument that they should make this economic and human sacrifice to benefit future generations 100 years and more hence is all the less compelling given that these future generations will, despite any problems caused by warming, be many times better off than the people of the developing world are today.

Or, at least, that is the assumption on which the climate scientists' warming projections are based. It is projected growth that determines projected carbon emissions, and projected carbon emissions that (according to the somewhat conjectural computer models on which they rely) determine projected warming (according to the same models).

All this overlaps with the second of the two fundamental reasons why Copenhagen failed, and why Mexico City will fail, too. That is the problem of burden sharing, and in particular how much of the economic cost of decarbonization should be borne by the developed world, which accounts for the bulk of past emissions, and how much by the faster-growing developing world, which will account for the bulk of future emissions.

The true cost of decarbonization is massive, and the distribution of the burden an insoluble problem. Any assessment of the impact of any future warming that may occur is highly conjectural, depending as it does not only on the uncertainties of climate science but also on the uncertainties of future technological development. So what we are talking about is risk.

There is not even a theoretical (let alone a practical) basis for a global agreement on burden-sharing, since, so far as the risk of global warming is concerned, risk aversion is not uniform throughout the world. Not only do different cultures embody very different degrees of risk aversion, but in general the richer countries will tend to be more risk-averse than the poorer countries, if only because we have more to lose.

* * *

The time has come to abandon the Kyoto-style folly that reached its apotheosis in Copenhagen last week, and move to plan B.

And the outlines of a credible plan B are clear. First and foremost, we must do what mankind has always done, and adapt to whatever changes in temperature may in future arise. This enables us to pocket the benefits of any warming (and there are many), while reducing the costs. And since none of the projected costs are new phenomena, but the possible exacerbation of the problems our climate already throws at us, addressing these problems directly is many times more cost-effective than anything discussed at Copenhagen. Nor does adaptation require a global agreement, although we may well need to help the very poorest countries (not China) to adapt.

And beyond adaptation, plan B should involve a relatively modest increased government investment in technological research and development—in energy, in adaptation and in geo-engineering.

Despite the overwhelming evidence of the Copenhagen debacle, it is not going to be easy to get our leaders to move to Plan B. There is no doubt that calling a halt to the high-profile climate-change traveling circus risks causing a severe conference-deprivation trauma among the participants. If there has to be a small public investment in counseling, it would be money well spent.

*Lord Lawson was U.K. chancellor of the exchequer in the Thatcher government from 1983 to 1989. He is the author of "An Appeal to Reason: A Cool Look at Global Warming" (Overlook Duckworth, paperback 2009), and is chairman of the Global Warming Policy Foundation.*

# The 'Global Imbalances' Myth

By Zachary Karabell

As the economic crisis has eased in recent months, a questionable international consensus has emerged: The global economy needs to be rebalanced. "We cannot follow the same policies that led to such imbalanced growth," President Barack Obama said during his Asia trip last month. European Central Bank head Jean-Claude Trichet declared in September that "imbalances have been at the roots of the present difficulties. If we don't correct them, we'll have the recipe for the next major crisis."

These global "imbalances" supposedly include excessive American consumption, too much trade flowing from Asia to the West and not enough from the U.S. to Asia, and too much saving combined with insufficient spending by Chinese consumers. But what if the whole notion of global imbalances is a myth, and that policies to reverse them only make things worse?

The blunt fact is that at no point in the past century has there been anything resembling a global economic equilibrium.

Consider the heyday of the "American century" after World War II, when Western European nations were ravaged by war, and the Soviet Union and its new satellites slowly rebuilding. In 1945, the U.S. accounted for more than 40% of global GDP and the preponderance of global manufacturing. The country was so dominant it was able to spend the equivalent of hundreds of billions of dollars to regenerate the economies of Western Europe via the Marshall Plan, and also of Japan during a seven year military occupation. By the late 1950s, 43 of the world's 50 largest companies were American.

**Chinese reserves and U.S. government debt did not trigger the financial crisis.**

The 1970s were hardly balanced—not with the end of the gold standard, the oil shocks and the 1973 Arab oil embargo, inflation and stagflation, which spread from the U.S. through Latin America and into Europe.

The 1990s were equally unbalanced. The U.S. consumed and absorbed much of the available global capital in its red-hot equity market. And with the collapse of the Soviet Union and the economic doldrums of Germany and Japan, the American consumer assumed an ever-more central position in the world. The innovations of the New Economy also gave rise to a stock-market mania and overshadowed the debt crises of South America and the currency implosion of South Asia—all of which were aggravated by the concentration of capital in the U.S. and the paucity of it in the developing world. When the tech bubble burst in 2000, it had little to do with these global dynamics and everything to do with a glut of telecommunication equipment in the U.S., and stock-market exuberance gone wild.

When officials and economists today speak of correcting global imbalances, it is unclear what benchmark they have in mind. So-called excessive American consumption, East-West trade flows, Chinese savings and the like were not responsible for the recent crisis. That was instead triggered by massive misplaced bets on the U.S. housing market and trillions of dollars of derivatives built upon that flimsy foundation.

Yes, many have woven a compelling narrative of how the relationship between China and the U.S.—distorted by China's fixed and nonconvertible currency on the one hand and America's debt-fueled appetites on the other—led to massive flows of capital out of the U.S. But that money flowed right back into the U.S. in the form of Chinese purchases of Treasury bonds, mortgage-backed securities and other dollar-denominated assets, which then flowed into our banking system, which then made its way back to U.S. business and to the Treasury, some of which then circulated back into China.

What some see as imbalances can also be described as a system of capital and goods in constant motion. Chinese reserves and U.S. government debt didn't trigger the meltdown, nor did U.S. consumers cause the meltdown. It wasn't even U.S. consumer debt—after all, more than 90% of Americans have remained current on their credit cards and their mortgages. The real (and much messier) cause of the meltdown was a potent brew of financial innovation, electronic and instantaneous flow of capital, greed on the part of banks and investors worldwide, against a backdrop of an economic fusion between China and the U.S. that kept interest rates low and inflation lower.

Today's consensus sounds very much like the orthodoxy of yesteryear—let each nation be its own system in equilibrium, interacting with other systems to create one mega-balanced system. Yet such balance has only existed in theory and only ever will. Indeed, if the crisis of the past year teaches us anything it should be that forcing reality to conform to abstract theory is a sure recipe for disaster.

Now that the crisis has eased, the greatest danger is that our collective belief in how the world should work drowns out the creative nimbleness of policy that adapts to the world as it is actually working. Policies that might stem from the global imbalances consensus include American government incentives to increase domestic savings. This sounds good, but not if it leads to underinvestment in innovation, education and infrastructure.

It could also lead Chinese officials to attempt to shift away from exports and state spending. Over the long term this might be beneficial, but it could wreak havoc on domestic Chinese growth and global supply chains if it is done under the erroneous belief that urgent action is required. For its part, the European Union rightly claims that it has not been a primary cause of the perceived imbalances. But its leaders have been central to pushing that thesis and urging China and the U.S. to redress them.

Thankfully, there is less risk of the Chinese government upsetting their apple cart than there is of the American government acting precipitously.

*Mr. Karabell is president of River Twice Research and the author, most recently, of "Superfusion: How China and America Became One Economy" (Simon & Schuster, 2009).*

IN DEPTH

# U.S. agencies are in a brawl for control of nation's banks

*FDIC chairman's struggle is part of broader battle over future shape of apparatus that regulates the financial system*

By Damian Paletta
*Washington*

IN THE DARKEST days of the financial crisis a year ago, Sheila Bair was hailed for having predicted the U.S. housing bust. Today, the chief of the Federal Deposit Insurance Corp. is fighting for her agency's future.

The FDIC was set up in 1933 as part of a successful attempt to rescue the U.S. banking system, and its deposit guarantees helped save the industry in the present crisis. But as lawmakers hash out the biggest overhaul of financial regulations since the Great Depression, the FDIC could wind up a shadow of its former self.

Connecticut Democrat Christopher Dodd, the Senate Banking Committee chairman, has proposed revoking almost all of Ms. Bair's powers to supervise banks, as part of a sweeping financial-regulation bill now under consideration in the Senate.

That would leave Ms. Bair in charge of an agency whose primary role is to clean up banks after they fail, with little part in monitoring them before problems erupt. So, Ms. Bair has been working for months to beat back the idea.

She has met with nearly all of the 23 lawmakers on Sen. Dodd's panel, including at least once with the chairman. In the fight to reshape regulation, Ms. Bair has clashed bitterly with Treasury Secretary Timothy Geithner, irked some of her own employees and angered bankers who say the FDIC chairman is stifling their businesses.

There are early signs her forceful lobbying may be working. The House version of the financial regulatory overhaul, which passed this month, is much more FDIC-friendly, thanks in part to her frequent presence in Congress, say some representatives. Aides say Sen. Dodd is now considering a new proposal that would allow the FDIC to retain its oversight of smaller, community-owned banks, while creating a new agency to oversee national banks.

Ms. Bair's struggle is part of a broader battle over the future shape of the apparatus that regulates the U.S. financial system. In the wake of the crisis, virtually every agency involved stands accused of being asleep at the switch, and officials who led the response are under fire. Federal Reserve Chairman Ben Bernanke, who by the end of next month faces a Senate vote on his re-appointment to a second four-year term, is trying to fight off an assault on the central bank's powers. Mr. Geithner is frequently blasted by the left for being too close to Wall Street.

"The FDIC is scrappy, we always have to fight to be heard," Ms. Bair, 55 years old, said in an interview.

Before being tapped to head the FDIC, Ms. Bair bounced between Washington, academia and the private sector in a series of mostly low-profile jobs. She studied philosophy as an undergraduate at the University of Kansas, working for a time as a bank teller, then graduated from the law school. Later, she headed to Capitol Hill as a lawyer for Sen. Bob Dole, a Republican from her state.

Enamored of politics, she ran for a Kansas seat in the U.S. Congress in 1990 but lost in the Republican primary by fewer than 1,000 votes to local banker Dick Nichols. (People close to Ms. Bair say she has no plans for another run, and intends to work in academia or run a nonprofit when her FDIC term ends in 2011.)

She went back to Washington for a post on the board of the Commodity Futures Trading Commission, the agency that regulates derivatives trading, then worked in government relations for the New York Stock Exchange before being tapped in 2001 as an assistant Treasury secretary.

She left after a year to teach finance at the University of Massachusetts, saying she wanted to spend more time with her family. There she wrote a children's book about financial education, "Rock, Brock, and the Savings Shock," a cautionary tale about twin brothers and the perils of overspending.

In 2006, Ms. Bair was named chairman of the FDIC, which regulates more than 5,000 lenders across the U.S. and runs the fund that insures deposits in the case of bank failures. For most Americans, the FDIC long was just a sticker in banks' windows. Financial markets were relatively calm. No bank had failed since 2004. The FDIC was dwarfed in stature by the Federal Reserve, whose banking regulatory powers overlap those of the agency.

Ms. Bair first looked into the risks of subprime lending while at the Treasury. On joining the FDIC, she directed the agency to purchase loan data from a private company to get a better sense of what a housing bust might look like. Ms. Bair says she found the figures alarming. Close to 75% of securitized subprime loans from 2004 and 2005 were the kind of loans on which payments ballooned after two or three years, creating a potential time bomb.

With this in mind, early in 2007 Ms. Bair started warning of a wave of foreclosures well ahead of other regulators, most politicians and the White House that appointed her.

The industry's problems—failures, rising losses on loans, evaporating capital cushions—soon started to mount. Ms. Bair added staff, and has about 7,000 employees today from 4,500 when she took over. The FDIC said on Dec. 15 it planned to add an additional 1,600 staffers in 2010 and nearly double the money in its budget to deal with an expected rise in bank failures.

As some of her predictions proved true, Ms. Bair became one of the most recognizable personas of the crisis. On Sept. 17, 2008, two days after the bankruptcy of Lehman Brothers, Ms. Bair sat alone on a House Financial Services Committee panel, warning lawmakers that more needed to be done to help homeowners avoid foreclosure. Giving the seat to a solo witness is a distinction usually reserved for cabinet secretaries

Getty Images

'The FDIC is scrappy, we always have to fight to be heard,' Sheila Bair, the agency's chairman, said in an interview.

# IN DEPTH

Bloomberg News

Treasury Secretary Timothy Geithner, right, and FDIC Chairman Sheila Bair, far left, have clashed repeatedly over how to rewrite financial regulations.

## At the helm of the FDIC

| 2006 June 26 | 2007 April 16 | 2008 Oct. 14 | Oct. 15 | 2009 July 9 | July 31 | Dec. 11 |
|---|---|---|---|---|---|---|
| Sheila Bair sworn in as FDIC chairman. | Ms. Bair presses executives to modify mortgages, warning that housing-market problems could threaten economy. | Ms. Bair reluctantly agrees to provide FDIC backing for newly issued bank debt. | Ms. Bair criticizes White House plan to address financial crisis for not doing enough for homeowners. | Citigroup shakes up its management team under pressure from FDIC. | Ms. Bair and Treasury Secretary Timothy Geithner clash over proposed regulations for financial sector. | The House passes a financial regulatory bill that expands FDIC powers. |

and Federal Reserve chairmen.

Inside the government, however, strains were starting to show. Several people close to the FDIC say some staffers were frustrated by Ms. Bair's management style, which one described as "head-cracking" at times. They say some at the agency call her "She Bear," evoking a mother bear: fiercely protective and aggressive when provoked. A spokesman for Ms. Bair says she's not familiar with the term.

Early in her tenure, Ms. Bair blasted a group of employees for handing her two staff-written economic reports with conflicting data, according to a person familiar with the matter. Several staffers say they were so worried about making the same mistake again they spent days checking and cross-checking future reports to avoid a reprimand.

In her three years at the FDIC, Ms. Bair had three different people in charge of congressional relations and three different general counsels, moves some employees say were a sign that Ms. Bair was difficult to work for.

The FDIC says these departures don't reflect employee dissatisfaction, and say internal surveys show morale has steadily climbed since Ms. Bair took office.

Once the financial crisis struck, Ms. Bair and then-Federal Reserve Bank of New York President Timothy Geithner sometimes tangled. Mr. Geithner often pressed for dramatic interventions to stabilize the economy. Ms. Bair often resisted, as some of the steps might have made the FDIC liable for trillions of dollars of losses if the economy cratered, say people familiar with the matter.

One of Mr. Geithner's first tasks upon becoming Treasury secretary in January was overhauling financial regulation. FDIC officials were frequently left out of the negotiations. They weren't always consulted on key details, say government officials, such as what role the agency would play in monitoring risks in the financial system. A person close to the planning process said the FDIC was left out because the new Obama administration was keeping many decisions internal, and because it feared Ms. Bair, a Republican, might be at odds with some of the points. White House officials deferred to the Treasury for comment, and the Treasury declined to respond.

The White House's June announcement of its overhaul plan stunned FDIC officials, according to several people familiar with the matter. Mr. Geithner proposed taking away the agency's power to enforce consumer-protection laws, giving the Federal Reserve more power over financial institutions and putting the Fed chairman on Ms. Bair's five-member board of directors. The plan did envision the FDIC having more power in one area: taking over and breaking up failing financial companies, rather than just banks.

Ms. Bair viewed the plan as mostly marginalizing her agency and letting the Fed move into FDIC territory, according to people familiar with the matter.

On the last Friday in July, Mr. Geithner invited Ms. Bair and several other regulators to a gathering in a Treasury conference room. Several people who attended the meeting described it as the most confrontational meeting of financial regulators in years.

Mr. Geithner immediately lit into the regulators in an expletive-laced fury, at times raising his voice to the verge of shouting, according to several people familiar with the meeting.

"Everyone needs to get on the same page," he said, according to one of those people. This is too "f—" important, he said.

Ms. Bair sat several seats away. There were close to two dozen officials and aides in the room, including Mr. Bernanke, but some present believed Mr. Geithner's comments were directed at her. Others at the meeting, including Mr. Bernanke, tried to smooth over the tension. A Fed spokeswoman declined to comment on the meeting.

Ms. Bair quietly fumed. When she spoke, her voice was pointed and direct. She accused Mr. Geithner of not briefing regulators on details of the financial plan before it was unveiled, people familiar with the meeting said.

A Treasury Department spokesman declined to comment on the meeting and on relations with the FDIC.

Ms. Bair's political struggles have been paralleled by mounting financial struggles at the FDIC. A cascade of bank failures wiped out the FDIC's deposit-insurance fund in the third quarter of this year, pushing it into negative territory for the first time since the savings-and-loan crisis of the early 1990s. After 140 failures so far this year, the balance at the end of September stands at negative $8.2 billion.

One of Ms. Bair's biggest tests this year came when Sen. Dodd moved forward with his plan—the Senate's version of the financial overhaul, which would strip the FDIC of much of its power. He envisioned a single national banking regulator, taking the place of the current four, and leaving the FDIC with one job: cleaning up failed banks.

Ms. Bair has told lawmakers that the FDIC's supervision of banks hasn't been perfect. Several FDIC Inspector General reports have found that the agency allowed some community banks to load up on speculative real-estate loans that eventually caused them to fail.

Ms. Bair has argued that taking away her agency's ability to oversee banks and putting all regulatory abilities under one agency would put too much power in one centralized place. "If they do the right thing, then maybe we're OK, but if they do the wrong thing, we're really in the soup," she told a congressional hearing in October.

Sen. Dodd's proposal immediately ran into resistance, including from some lawmakers Ms. Bair met with to plead her case. A spokeswoman for Sen. Dodd says he has not backed off from a single-regulator plan, but is working with lawmakers to build a consensus.

Lawmakers, meanwhile, are bristling with stories from people back in their districts about how FDIC examiners have been second-guessing loan decisions made by local bankers, leading many politicians to accuse regulators of stifling the economic recovery.

"An agency takes its culture, its direction from the top," says Sanford Brown, a former bank regulator at the Office of the Comptroller of the Currency and now a managing partner in the Dallas law office of Bracewell & Giuliani LLP. Mr. Brown says several of his bank clients have called him to complain that the FDIC is forcing them to write down the value of loans that the banks say have more value.

Ms. Bair brushes aside criticism of the agency's handling of banks.

Lenders are trying "to personalize this to me somehow," she says. "Just because some CEO wants to call me and get a different outcome, that doesn't happen. If that makes them unhappy, too bad."

### WSJ.com

**Online today:** Track U.S. bank failures since the start of 2008 in an interactive map at **WSJ.com/US**

THE DECADE IN REVIEW

# What boom and bust taught us in the 2000s

By Alan Murray

If you could travel back in time to 1999, you'd be struck by a remarkable air of unreality. The Cold War had ended, communism had been defeated, capitalism had triumphed, history was over. The Internet had conquered distance, melted borders, offered a cure for ignorance.

As the millennium turned, reality set in.

In March 2000 the Internet bubble burst, destroying trillions of dollars of wealth and awakening us from a technology-induced dream. Then came September 2001 and the unthinkable collapse of the twin towers, bringing a sudden realization that the great clash of civilizations had not ended. Terrorism turned out to be as frightening as communism. We were soon faced with two hot wars that spanned most of the decade.

Business leaders, who were popular heroes and graced the covers of magazines in the 1990s (Ted Turner, Andy Grove and Jeff Bezos all made Time's "Person of the Year"), became villains in the new century. Scandals erupted at Enron, Worldcom, Adelphia, Parmalat.

CEOs, whose job tenure once rivaled that of college professors, found themselves booted out the door. Carly Fiorina, Hank Greenberg, Phil Purcell, Hank McKinnell, Bob Nardelli and many more discovered that the corner office had an ejection chair, and someone else's finger was on the button.

China was the great success story of the decade, with soaring economic growth enriching hundreds of millions of people and creating countless new urban skylines. But even that triumph exploded a comfortable myth—the once-easy assumption of Western thinkers that economic freedom would inevitably be followed by political and social freedom.

Meanwhile, the tectonic shifts of the global economic plates fed a relentless process of creative destruction, spawning dynamic new businesses in places such as Shanghai and Palo Alto, while cratering entire industries in places such as Detroit.

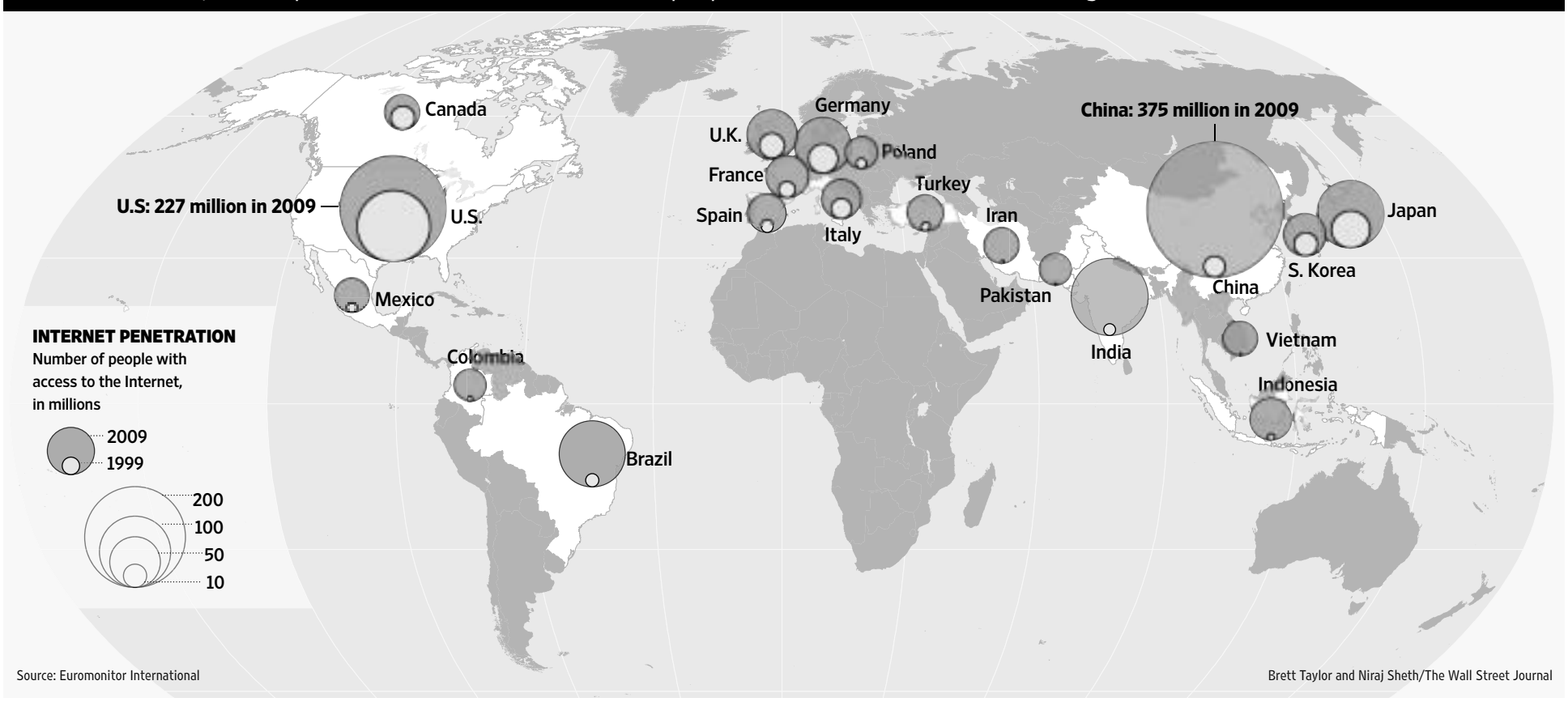
ngenious financiers turned housing debt into an array of complex new instruments that provided the shaky foundation for a financial colossus that stood astride the globe.

Inevitably, the foundation gave way and the colossus collapsed. Soon proud old firms like Bear Stearns, Lehman Brothers, Merrill Lynch and Wachovia were gone or sold to rivals, and others had been thrown into the arms of government. A great recession ensued, and the world's faith in free markets was shaken profoundly.

The first decade of the 21st century offered ample reminders that even with imperfections, human beings are capable of great triumphs. The aughts will be remembered for the greatest alleviation of poverty in the history of humankind, as the middle class swelled in China, India and elsewhere. It will be remembered for a long list of technological accomplishments—from the rise of Google and the emergence of Wikipedia to the creation of the elegant iPhone.

And the supersized dose of reality dumped on us during the decade is now informing a search for new answers, new approaches, new models, all based on a better understanding of human nature.

**Quiet revolution** | The map below shows how the number of people with access to the Internet has grown in the last decade




Source: Euromonitor International

Brett Taylor and Niraj Sheth/The Wall Street Journal

# The rising influence of rising affluence

*As terrorism and war shook the world, sweeping change came from the spread of economic liberalization*

By John Bussey

Call him Hummer Man—our man of the decade.

It was 2005, and the young Chinese man had parked his beast of a vehicle, a cherry-red Hummer with big fog lamps and huge tires, at a busy intersection in downtown Shanghai. As he sat in the driver's seat, his fellow Chinese passed and marveled.

"What a beautiful machine," a reporter yelled up to the driver.

The man looked down, pointed to the hood and responded simply:

"Turbocharged."

There were many events that grabbed world headlines in this first decade of the 21st century: the Sept. 11, 2001, terrorist attack on the U.S.; the wars in Afghanistan and Iraq that followed; natural disaster in Asia; financial intoxication, and the subsequent global purge and crash.

But a good argument can be made that Hummer Man, poster child for new affluence, embodies the more fundamental story of our times—and the far more dominant and lasting force affecting world affairs.

Across the globe, economic and political liberalization reached critical mass in recent years, propelling hundreds of millions of people up the income curve, and unleashing a flood of ambition and aspiration. A force that started to build in 1978 in China, 1991 in India, and more recently in many other developing economies, is now indeed turbocharged.

Over the past decade, the number of households with annual disposable income of more than $10,000 rocketed in countries as diverse as Algeria, Brazil, Kazakhstan and Poland. China zoomed past Japan and the U.S. to become the largest market for auto sales. Cellphone subscriptions in India rose 240-fold, a rate outpaced by Syria, Vietnam, Kenya and a number of other nations, says Euromonitor International, a research firm.

In fact, technology played a special role firing growth through the decade. New free-trade agreements helped many poor nations expand. So did better economic management and liberalized rules for business. But it is technology that has been a great equalizer.

"Technological breakthroughs such as the Internet and cellphones have helped regions like Africa become connected," says William Easterly, an economist at New York University. "Kenya suddenly figured out it could capture the European market for cut flowers by using the Internet" to buy and sell, he says. "It's just dynamic Kenyan entrepreneurship."

The World Bank suggests that the global economy could expand in size to $72 trillion by 2030 from $35 trillion in 2005, spurred by developing countries. Under that scenario, the Bank estimates that by 2030, 1.2 billion people in developing nations will be part of what it terms the global middle class. That's three times the number today.

What's the bigger upside of all this economic enfranchisement? "At some point, when you have a sufficiently large middle class—that's the key to sustained good government," says Nancy Birdsall, president of the Center for Global Development, a research organization in Washington. "It's the middle class that demands a competitive system, property rights, the rule of law, an economic setting where they can compete, where they aren't fighting the insider privileges that are associated with developing economies."

But upside is in the eye of the beholder. New economic powers are rising abroad. They will continue to take jobs away from higher-cost developed countries. They will demand more political influence. And they will grab a fatter slice of high-end innovation—the lucrative part of the global market that the U.S. and the developed world have considered their own.

Andrew Liveris, chief executive of **Dow Chemical** Co., sounds the warning a different way. At employee gatherings in the U.S., he asks who has children studying to become engineers. A few hands go up, he says. When he asks the question at Dow gatherings in China and India, a forest of arms wave in the air.

There are other points of angst along the road to economic integration. Robust expansion can be followed by great dysfunction, as the past two years of financial crisis have shown. Environmental damage and income inequality are ever-present threats to stability. And protectionism is straining at the leash in Congress and parliaments across the globe. Another spike in unemployment could well set it loose.

Still, expect the momentum that has built over the past 10 years to speed straight into the next decade. Aspiration begat Hummer Man, and by the end of the decade it had consumed the brand as well: A Chinese company bought the vehicle from General Motors Co.

It also propelled men like Zhang Jingyi into this new world—the fuel for future global growth. It was the latter part of the decade, and Mr. Zhang was sitting outside the Beijing Railway Station, his possessions in a single canvas bag. His was a typical story of the times. Like migrants in Latin America, Africa and Central Europe, Mr. Zhang had come to the city to find a better life. "I need to earn more money to pay for my son's education," he said.

And behind him, waiting for their chance to plug into the grid: roughly 700,000 Chinese, still on the farm, with growing aspirations of their own.

THE DECADE IN REVIEW

# U.S. brand of capitalism shows flaws

*The nation's economic system, riding high at the start of the millennium, loses some of its status as a role model*

By Mark Whitehouse

The 2000s could be termed a lost decade for the U.S. economy.

The average American's annual income stood at $39,446 as of October 2009, up only 5.3% in inflation-adjusted terms from the end of the 1990s. That's the slowest growth registered in at least six decades. The average person's net worth fell 13% through September 2009 as stock and home prices plunged. The S&P 500 delivered an inflation-adjusted total return of negative 30% through November 2009.

Meanwhile, income inequality grew. Although it's still too early to gauge the full effect of the most recent financial crisis, as of 2007, the highest-earning 0.1% of the population accounted for 8.2% of all pretax income, according to economists Thomas Piketty of the Paris School of Economics and Emmanuel Saez of the University of California at Berkeley. That was up from 6.6% in 1999, and the highest level since 1917.

Policy makers may be breathing a sigh of relief as the world's largest economy shows signs of emerging from the worst crisis since the Great Depression. But its performance in the 2000s is forcing them to confront an age-old quandary: how to save capitalism from itself.

For much of the past century, America has served as the global model for the power of free markets to generate prosperity. On Jan. 1, 2000, the net worth of the average American was 44% greater than 10 years earlier—a fact that many took as a vindication of the relatively unfettered capitalism seen in the U.S. since the 1980s. Throughout the world, policy makers saw economic reform as a steady march toward the U.S. model, with its flexible work force and dynamic financial markets. Financial crises like those that occurred in Asia and Russia were merely errors or stumbles along the way.

In the 2000s, though, the U.S. quickly went from being the beacon of capitalism to a showcase for some of its flaws. The bursting of the Internet bubble exposed duplicity and cronyism in the stock market, with analysts hyping shares of investment-banking clients. The demise of Enron demonstrated how the U.S. accounting system, which had been held up as a global standard, could be gamed.

Consumers spent too much and saved too little, egged on by a housing boom and lax lending standards.

The financial sector assumed an ever-larger share of the U.S. economy, devising new investment products that contributed to activity but, in the end, didn't add value. The result: a deep financial crisis that has discredited the idea, central to the U.S. system, that bankers' own interests would guide them to do what was best for the economy.

The troubles in the U.S. stand in sharp contrast to the relative success of other countries, notably China. With a system that is at best quasi-capitalist, China's economic output per person grew an inflation-adjusted 141% over the decade, and hardly paused for the global crisis, according to estimates from the International Monetary Fund. That compares with 9% growth in the U.S. over the same period.

"The U.S. was perceived as the place to emulate. To a large extent that's gone," says Raghuram Rajan, a professor at the University of Chicago Booth School of Business who served as chief economist of the IMF from 2003 to 2006.

None of that is to say the U.S. model has failed, say economists. At least twice in the past century, the U.S. has re-emerged from deep crises to reinvent capitalism. In the 1930s, the Depression compelled Franklin Roosevelt to introduce Social Security, deposit insurance and the Securities and Exchange Commission.

After the brutal stagflation of the 1970s and early 1980s, then-Federal Reserve Chairman Paul Volcker demonstrated the ability of an independent central bank to get prices under control, ushering in an age in which powerful, largely autonomous central banks became the norm throughout the developed world.

This time around, as the debate over health insurance demonstrates, Washington's ability to expand the social safety net is limited by its massive debts, which grew 65% in inflation-adjusted terms over the decade to about $11.9 trillion as of September. Over the next decade, programs such as Social Security and Medicare could face cuts as the government seeks to close a budget deficit that its stimulus programs have ballooned.

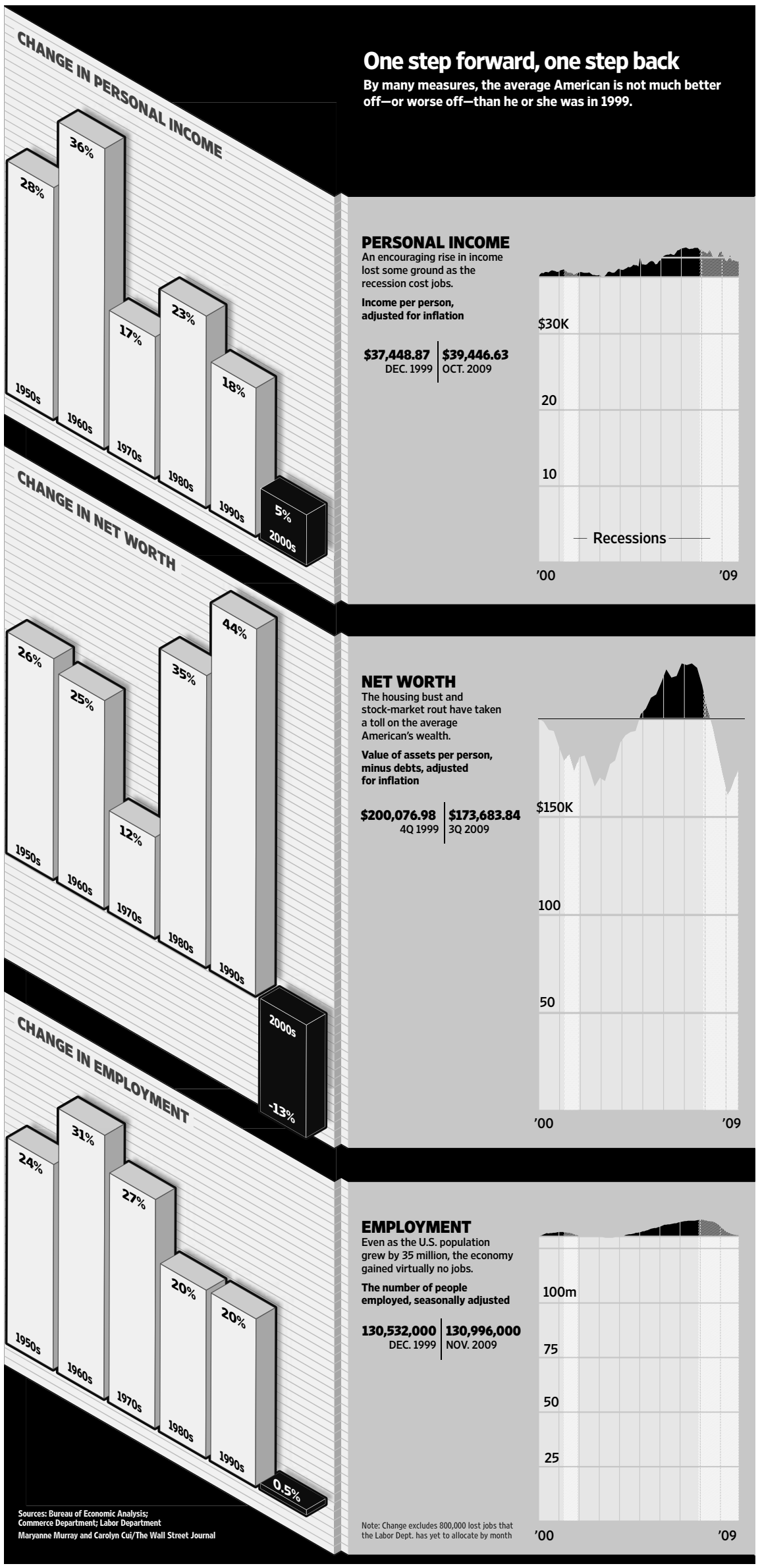
Policy makers' focus now, though, is on the financial sector that failed so spectacularly. Progress has been slow, and key pieces are missing, but the contours of a new system are taking shape. Banks will face stricter limits on their use of borrowed money, or "leverage," to boost returns. The Fed will keep a closer eye on markets during booms, and possibly step in to curb excessive risk-taking—a U-turn from its previous policy of mopping up after bubbles burst.

Such changes would amount to a grand bargain: Give up some of the growth and dynamism of the U.S. economy for a safer, more equitable brand of capitalism—one that could avoid the kind of busts that turned the 2000s into such a disaster. Some economists hope safety can come at minimal cost. Jeremy Stein, a Harvard professor who spent several months advising the U.S. Treasury in the darkest days of the crisis, says putting a lid on leverage doesn't mean limiting financing for the kind of entrepreneurial activity and technological innovation that engender robust growth.

"There's no reason for us to turn against our willingness to allow companies to go public quickly or any of that," he says. "It can lead to scandals sometimes, but it doesn't pose any systemic risks."

Many of the changes under consideration have never been tried on such a scale, and some will undoubtedly prove ill-conceived. Given the lack of precedents, there is little basis for an educated guess at the outcome.

But one thing is certain: America's success or failure over the next decade will go a long way toward defining what the world's next economic model will be.



THE DECADE IN REVIEW

# Business rewrites corporate handbook

*The Web, globalization and the collapse of two investment bubbles contributed to market evolution over past 10 years*

By Scott Thurm

To understand the challenges that faced businesses the past 10 years, consider the household names that *didn't* make it through the decade: Anheuser-Busch, Compaq, Gillette, Enron, Lehman Brothers, Merrill Lynch, WorldCom.

Companies always fail or get acquired. But the past decade was unusually tumultuous: Two investment bubbles grew, then burst, each followed by a recession. The Internet matured into a crucial cog of commerce and spawned innovative upstarts while ravaging one traditional industry after another. Global players from emerging economies muscled their way into business's top ranks. Wall Street was remade almost overnight by the financial crisis. And governments reversed a decades-long retreat to lay a more forceful hand on the global economy.

Companies found themselves in a wired, instantaneous, hypercompetitive and shrinking world, where a single misstep can be fatal and executives can plunge from heroes to outcasts in weeks.

"Both the exuberance and the depression—the rise and the fall—seem bigger and more widespread," says Rosabeth Moss Kanter, a professor at Harvard Business School.

The decade began amid euphoria that the Internet would change the world. It did—but not always in the ways expected.

On the decade's 11th day, Time Warner Inc. and America Online Inc., two icons in their industries, said they would merge, in a deal then valued at $156 billion that was seen as the herald of new era. But the marriage of old media and new media quickly foundered. The companies, each substantially shrunken, completed a divorce this year.

Other tech and telecom titans suffered even more. Lucent Technologies Inc., the world's ninth-most-valuable company at the decade's start, was swallowed by France's Alcatel SA in 2006. WorldCom Inc., also in the top 25, collapsed in an accounting scandal.

As the decade rolled on, the Internet came to be known for destroying businesses. It upended decades-old business models in fields such as media, advertising, travel and entertainment, as consumers and advertisers migrated to the digital world.

But that same shift created opportunity. No one epitomized that better than **Google** Inc. A mere 15 months old at the beginning of the decade, it morphed from a start-up technology company into an advertising and media powerhouse and is now plotting a move into communications. There, it will clash with **Apple** Inc., which was reborn following the return of cofounder Steve Jobs in 1997. Apple's iPod and iTunes reshaped the music industry; its iPhone revolutionized communications by opening itself to independent innovators.

The pace of business accelerated as well, with whipsaw changes in strategic fashion. Ten years ago, business stalwarts raced to develop dotcom strategies, until the dot-coms themselves went bust. From the rubble emerged a credit bubble, symbolized by the private-equity shops that took companies such as Chrysler and utility TXU Corp. private, loaded with debt. When funding evaporated during the credit crisis, cash became king and conservative stewardship was again rewarded.

## New sectors and regions dominate the world's top 25 companies

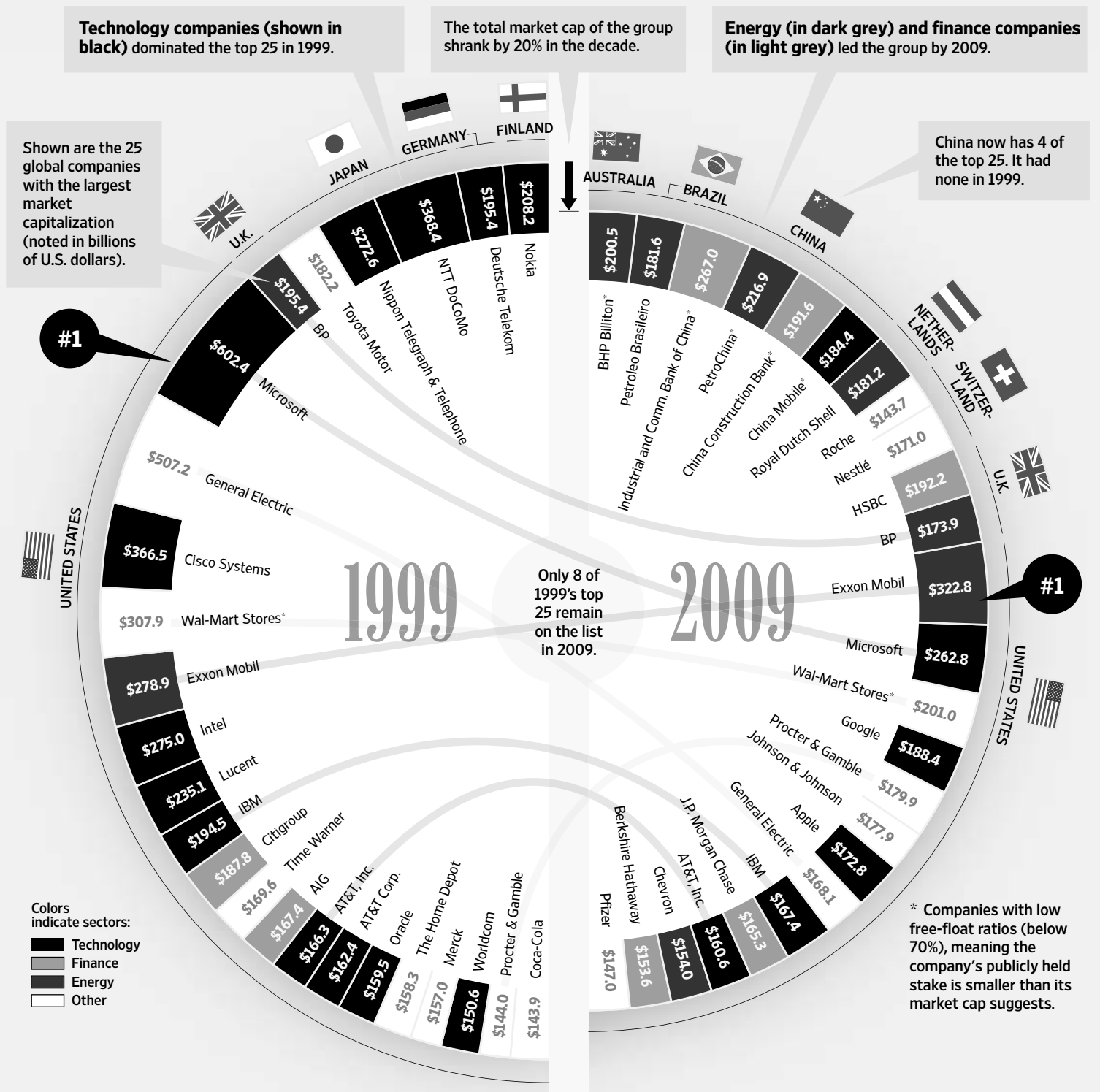
**Technology companies (shown in black)** dominated the top 25 in 1999.

The total market cap of the group shrank by 20% in the decade.

**Energy (in dark grey) and finance companies (in light grey)** led the group by 2009.

Shown are the 25 global companies with the largest market capitalization (noted in billions of U.S. dollars).

China now has 4 of the top 25. It had none in 1999.




* Companies with low free-float ratios (below 70%), meaning the company's publicly held stake is smaller than its market cap suggests.

### COMPANIES REMOVED FROM THE S&P 500 THIS DECADE:

Anheuser-Busch Companies • AT&T Corp. (New) • Bear Stearns Cos. • Seagram Co. • Alcan Inc. • BellSouth Corp. • Circuit City • Countrywide Financial Corp. • COMPAQ Computer • Dow Jones & Co. • Enron Corp. • Global Crossing • Lehman Brothers • Lucent Technologies • Merrill Lynch • Maytag • Nortel Networks • Bank One • Reebok International • Adolph Coors Company • Rohm & Haas Co. • Schering-Plough Corp. • Times Mirror • Tribune Co. • Unocal Corp. • Wachovia Corp. • WorldCom Inc. • Wyeth

Sources: Capital IQ; Standard & Poor's; company filings; WSJ Research

Andrew Garcia Phillips and Carolyn Cui /The Wall Street Journal

This was also the decade when the U.S. saw its singular pre-eminence on the world business stage substantially lessen. Ten years ago, seven of the world's 10 most valuable companies were based in the U.S. Today, only four are; three are based in China, and one each in Brazil, Australia and the U.K.

Both small retailers and industrial behemoths such as **General Electric** Co. now view their suppliers, their markets and their rivals globally. GE in 2007 for the first time recorded more revenue from outside the U.S. than inside, joining consumer brands such as **Coca-Cola** Co. and **Procter & Gamble** Co.

Other U.S. mainstays succumbed to international rivals, most notably in the auto industry. In 2008, Japan's **Toyota Motor** Corp. knocked **General Motors** Corp. from its 77-year reign as the world's leading auto maker by units sold. This year, there will be more cars sold in China than in the U.S.

The financial crisis and recession forced GM into a government-supervised bankruptcy and aid package. Among the prospective buyers for its parts are several Chinese companies. U.S. companies that had viewed emerging countries as markets now "also have to look at them as competitors," says Ms. Kanter, the Harvard professor.

Surging demand from emerging economies contributed to an upward trend in commodity prices. Oil, selling for $25 a barrel 10 years ago, topped $140 in mid-2008, before retreating. That propelled seven oil companies into the ranks of the world's 25 most valuable companies, up from two a decade ago.

The march to an integrated global economy hasn't been smooth. Post-9/11 political opposition in the U.S. stymied plans by China's Cnooc Ltd. to buy Unocal Corp., and by a Dubai company to manage U.S. ports. A sweeping effort to lower global trade barriers—known as the Doha round of talks—has stalled.

Resistance grew as the economy soured. The U.S. economic-stimulus package included several "Buy American" provisions; numerous countries restricted immigration and sent once-welcome foreigners packing. The World Trade Organization projects global trade will fall 9% this year, the biggest drop since World War II.

Strengthened national boundaries mirrored the growing role of government in the economy, in the wake of the financial crisis. The financial crisis and recession often made the government the lender, and investor, of first and last resort. At decade's close, the U.S. government owns about 60% of GM, 38% of **Citigroup** Inc. and 80% of **American International Group** Inc.

In that light, Edward Whitacre Jr. may just be the executive of the decade. Ten years ago, Mr. Whitacre was smashing government barriers to reassemble much of the old AT&T Corp. Today, he is effectively a government servant, as chairman and interim chief executive of GM.

*—Erin White contributed to this article.*

## Every dollar invested in energy efficiency today could return two dollars in energy savings.

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*McKinsey & Company's report examined greater efficiency in the stationary uses of energy in the U.S. only. All data from this report are expressed in net-present-value terms.

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FROM PAGE ONE

# Total aims to increase its ties with China

*Continued from first page*
heavy-oil blocks are expected to be auctioned next year in the eastern Orinoco region of Venezuela, with each block costing as much as $10 billion to $20 billion, and the project could include construction of facilities to upgrade the tar-like crude into lighter oil.

Total and CNPC, in partnership with Petronas, Malaysia's state-owned oil-and-gas company, won the rights to the relatively small Halfaya oil field in Iraq earlier this month. But Total and CNPC lost out in their joint bid to develop Iraq's giant Majnoon oil field; Mr. de Margerie said competing bids were too high to make the project cost-effective for Total.

Total also is talking to CNPC about possibly joining it in developing part of Iran's giant South Pars gas field and exporting liquefied natural gas from it, Mr. de Margerie said. But Total's involvement in that project has been complicated in part by disagreements with CNPC and Iran over how to proceed.

In June, Iran and CNPC signed a contract to work on extracting gas from part of the South Pars field, known as Phase 11. CNPC in effect replaced Total, which had long been in negotiations with Tehran about the huge gas field but which has pushed for an integrated project that includes the extraction of gas, its transformation into liquefied natural gas and the export of that LNG.

Reuters

Total CEO Christophe de Margerie believes in forging partnerships with rising Chinese rivals rather than strictly trying to compete.

"We have been always favoring the full integrated project" in South Pars, Mr. de Margerie said. "CNPC and Iran separated the two, upstream from LNG, and we've said that was not our cup of tea," he added.

Total continues to talk to CNPC about the possibility of an integrated LNG project in South Pars, Mr. de Margerie said. But any deal would require Iranian-government approval, and "Iran, for the time being, has stopped" discussing LNG.

Total and Mr. de Margerie have come under fire in the past for their involvement in Iran, primarily from U.S. politicians critical of the country's government. Mr. de Margerie said Monday he thinks Total must continue to talk to governments such as Iran's because energy investments are long-term and politics change. "If you just say, 'OK, there is a problem today, so I will never look at it anymore,' then you never do anything," he said.

The French executive, who took the helm at Total nearly three years ago, voiced optimism regarding a joint project with CNPC to develop part of China's biggest gas field. The two companies have been researching the technically difficult South Sulige gas field in northern China's Ordos Basin for several years and must decide by the end of January on terms for a project that would cost more than $1 billion initially and cost several billion dollars during the project's 20- to 25-year lifetime.

Mr. de Margerie said he is confident the two will move forward with the project, which would still require final approval from China's government. Gas production would start in 2013 at the soonest.

CNPC also is cooperating with other foreign oil giants. In October, for example, CNPC and **Chevron** Corp. got approval from the National Development and Reform Commission for the first phase of a $4.7 billion, 30-year pact to develop a gas field in central China's Sichuan province.

# North Korea arms inquiry turns to leasing firm

*Continued from first page*
Thai officials seized the Ilyushin-76 aircraft and its cargo—missiles and guidance systems—on Dec. 11, setting off an international hunt to determine its origins. The Union Top Management contract, and a flight plan, were revealed in a report by TransArms, of Chicago, and the International Peace Information Service, of Antwerp, Belgium. Both organizations study conflicts around the world, including how they are financed and supplied with weapons.

The documents show a circuitous planned itinerary from Pyongyang to Montenegro, with stops in Iran and Ukraine, among other places. Union Top Management appears to be one of a string of companies, from the Republic of Georgia to New Zealand, involved in organizing the transport.

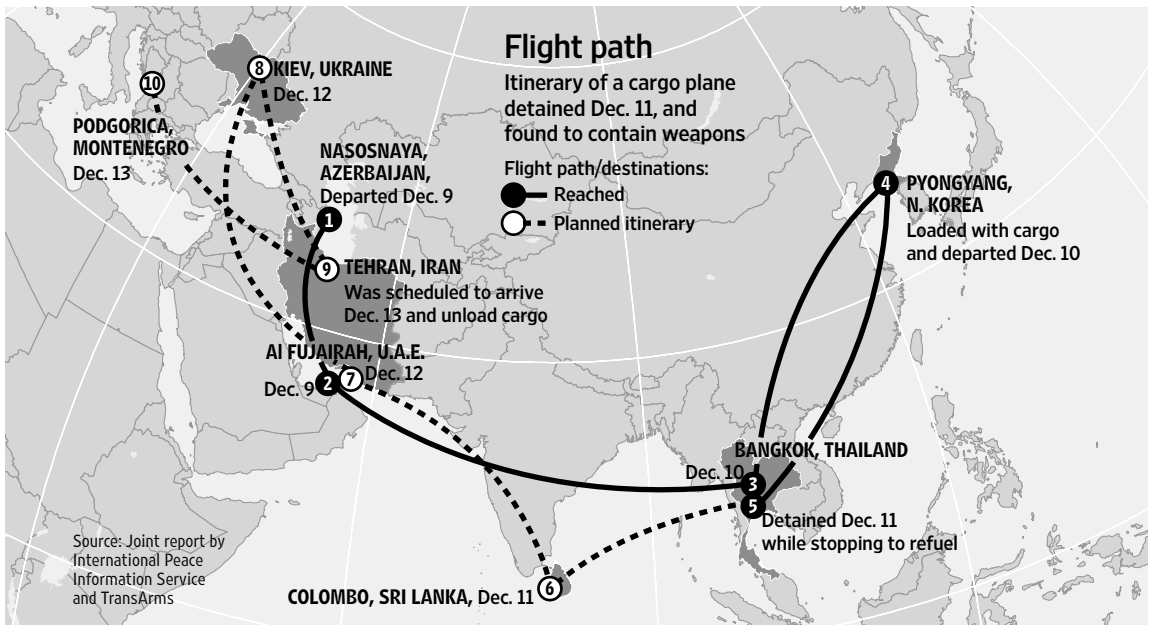
Hong Kong is a magnet for traders and businessmen, some attracted by the opportunity to set up a company swiftly. Hundreds of chartered "secretary firms" specialize in registering entities quickly and cheaply in Hong Kong and offshore.

"It's a low-tax jurisdiction, there's a reliable legal system, no currency controls, and pretty much free transmittance of money in and out. All the good infrastructure that legitimate companies come for can also attract illegitimate ones," says Dane Chamorro, Hong Kong general manager of Control Risks, a consulting firm.

The secretary firms file paperwork, and provide corporate officers and board members for the companies, as permitted under Hong Kong law. The actual owners of companies aren't obliged to serve as board members, enabling them to avoid disclosing their identity in public documents. Companies must register in Hong Kong to open a local bank account.

In the case of the plane, a secretary firm called Acota Ltd. in Hong Kong's Wan Chai district set up Union Top Management on Sept 1. From filings, it appears Mr. Garmendia took control of Union Top Management on November 10.

Brenda Cheng, an executive at Acota who is identified as Union Top Management company secretary on public filings, says she doesn't remember Mr. Garmendia. She said that her firm helps companies quickly apply for legal status and that she serves as the corporate secretary for many companies. This arrangement isn't unusual for Hong Kong secretarial firms. Ms. Cheng said "I don't know what they do," when asked about Union Top Management's business.


Flight path
Itinerary of a cargo plane detained Dec. 11, and found to contain weapons
Flight path/destinations:
Reached
Planned itinerary
1 NASOSNAYA, AZERBAIJAN, Departed Dec. 9
2 AL FUJAIRAH, U.A.E. Dec. 9
3 BANGKOK, THAILAND Dec. 10
4 PYONGYANG, N. KOREA Loaded with cargo and departed Dec. 10
5 Detained Dec. 11 while stopping to refuel
6 COLOMBO, SRI LANKA, Dec. 11
7 Dec. 12
8 KIEV, UKRAINE Dec. 12
9 TEHRAN, IRAN Was scheduled to arrive Dec. 13 and unload cargo
10 PODGORICA, MONTENEGRO Dec. 13
Source: Joint report by International Peace Information Service and TransArms

For illicit traders, setting up in Hong Kong is "all part of the standard layering procedure to distance the actual players from reality," says Steve Vickers, chief executive of FTI-International Risk, a Hong Kong-based investigation firm. He says Hong Kong is just another stopping point in these types of ventures and that the city's rules aren't unique.

Hong Kong has faced criticism for failing to cooperate with foreign officials in tax-evasion cases. It pledged to update its information-sharing laws to enhance coordination with tax officials abroad after it was revealed that Hong Kong had been used as an incorporation spot for international tax-evasion programs. Hong Kong is part of China but operates as a special administrative region with its own laws.

# Taiwan probes possible bribery as losses rise in Pang case

*Continued from first page*
over $1 million, was paid to the senior Taiwan employee, which Mr. Aboubakare believes was partly for under-the-table payments. The document lists a separate 3.1% sales commission for the Taiwanese bank that distributed the notes.

While Mr. Pang was in charge, a PEMGroup spokesman said the 1.375% represented commissions to the PEMGroup employee and to brokers who referred investors. He said there were no under-the-table commissions.

Amid a public outcry after the scandal broke, Taiwan's banking regulators demanded that the banks repurchase the PEMGroup notes. The banks complied, shielding their customers from losses.

Although Taiwanese investors also lost money in other structured-note products, government officials said the PEMGroup situation was the only one where they prodded banks to cover 100% of their retail clients' losses. "It was a real embarrassment for some of the experienced bankers to agree to distribute or sell PEM products," said Jonathan Lee, a senior director at Fitch Ratings in Taiwan. "It was a well-fabricated, well-disguised scheme."

The second-largest distributor of PEMGroup notes, Britain's **Standard Chartered** PLC, in August wrote off $170 million of its $221 million exposure after agreeing to repurchase the paper from its retail customers at face amount, without accumulated interest. The bank inherited the PEMGroup situation when it purchased Taiwan's Hsinchu International Bank in 2006.

Dexter Hsu, an analyst at J.P. Morgan, said two other banks have yet to report the bulk of their likely losses from the scandal. **Hua Nan Financial Holdings** Co. has recorded a loss of about 10% of its roughly $257 million exposure to PEMGroup, while the Bank SinoPac unit of **SinoPac Financial Holdings** Co. has written off about 15% of its $146 million exposure, Mr. Hsu said. Three smaller Taiwan-based banks have recorded losses of between 40% and 51% of their exposure.

Mr. Hsu projects overall losses from PEMGroup to be between 50% and 75%, suggesting that Taiwanese banks as a whole will report between $100 million and $300 million in additional losses.

York Lai, a spokesman for Hua Nan, said the loss on PEMGroup's investments will be "less than everybody thinks."

*—Ting-I Tsai in Taipei contributed to this article.*

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BUSINESS & FINANCE.

Tuesday, December 22, 2009 THE WALL STREET JOURNAL. asia.WSJ.com

# *Japan's fees will be tough to match*

[ Deal Journal ]

By Alison Tudor

TOKYO—Investment bankers reaped fat fees in Japan this year from underwriting a bumper crop of share sales. But they will have to work harder next year amid rising concerns over shareholder dilution and corporate Japan's unconvincing growth plans.

The investment bankers' net revenue this year surged 81% from last year to $4 billion, while their colleagues' revenue in U.S. and European divisions was flat by comparison. The biggest growth driver in Japan was equity issuance, which generated 59% of revenue, up from 21% last year.

Bankers in Japan already enjoy bigger paydays than many colleagues elsewhere. They can reap about 4% of an equity offering's value, compared with 2% to 3% in Europe, 2.5% to 3.5% in China and 1.5% in South Korea, bankers say.

Japanese fees remain high partly because relationship banking is still strong and because share sales in Japan often have a large, labor-intensive retail component.

"This year Japan has been among the most productive office globally in terms of revenue per senior investment banker," said Yasuki Matsui, co-head of the investment-banking department of UBS Japan.

Bankers in Japan this year took advantage of an unexpected window of opportunity. Last year's financial crisis kept even marquee names from raising capital. At the same time, it increased scrutiny of balance sheets as investors and regulators probed for further structural weakness.

When equity markets recovered,

*Please turn to page 25*

## Island of growth

**Global core investment-banking net revenue by region and change from previous year**

| | YTD 2008 | YTD 2009 | Change |
|---|---|---|---|
| North America | $22.6 billion | 22.2 | -1.5% |
| Europe | 17.2 | 17.6 | 2.0 |
| **Japan** | 2.2 | 4.0 | **81.4** |
| North Asia | 2.0 | 3.1 | 54.8 |
| Australasia | 1.6 | 2.0 | 25.0 |

Note: Core investment banking includes debt capital markets, equity capital markets and M&A. Dealogic Revenue Analytics employed where fees are undisclosed.
Source: Dealogic

# Seoul frets over shipyards

*Early plans to address plunging orders unlikely to avoid job losses and other distress*

By Evan Ramstad

SEOUL—Policy makers on Monday proposed steps to address a plunge in ship orders this year in South Korea, home to seven of the world's 10 largest shipbuilders.

But there is little chance the industry here will avoid steep job losses and financial difficulties in coming years.

Even after the global downturn began last year, global shipbuilders continued at full throttle, banging out and welding hundreds of vessels ordered from 2005 to 2007, the biggest years for ship orders ever.

But ship orders through last month were well off last year's pace, meaning that activity in shipyards will start declining next year and slide sharply in 2011 and 2012.

This delayed effect will hit shipbuilding particularly hard in South Korea, where the industry is responsible for about 10% of the country's exports by value.

Shipbuilders have responded in part by building offshore platforms for energy companies.

And on Monday, South Korea's commerce ministry presented President Lee Myung-bak with a blueprint for dealing with the potential crisis. The early-stage plan includes restructuring the most troubled small and midsize companies and providing subsidies to encourage shipbuilders to enter new businesses, such as building offshore power-generating wind farms.

It could be months before the government moves forward on any proposals, however.

And industry executives and consultants say only a stunningly large rebound in orders next year can prevent a steep drop in activity at shipyards in the years that follow.

Such a rebound is unlikely because shipping companies are suffering from a 12% drop in global trade from last year. Some have been forced to transport goods below cost. They have also parked ships in ports world-wide.

Analysts say it will take years for shipping companies to absorb the orders for new vessels that were made a few years ago and are being completed at shipyards.

"All through this year, shipowners have been struggling because of the economic situation and shortage of trade," says Ki Won-kang, senior executive vice president of **Daewoo Shipbuilding & Marine Engineering** Co., in Geoje, South Korea.

"As a consequence, the shipbuilding industry is suffering. I don't know when this market will pick up."

Through November this year, world-wide orders for new ships amounted to 6.5 million compensated gross tonnage, a measure of vessel size, according to Clarksons PLC, a London-based shipping brokerage and consulting firm. That is sharply below the 46.9 million CGT

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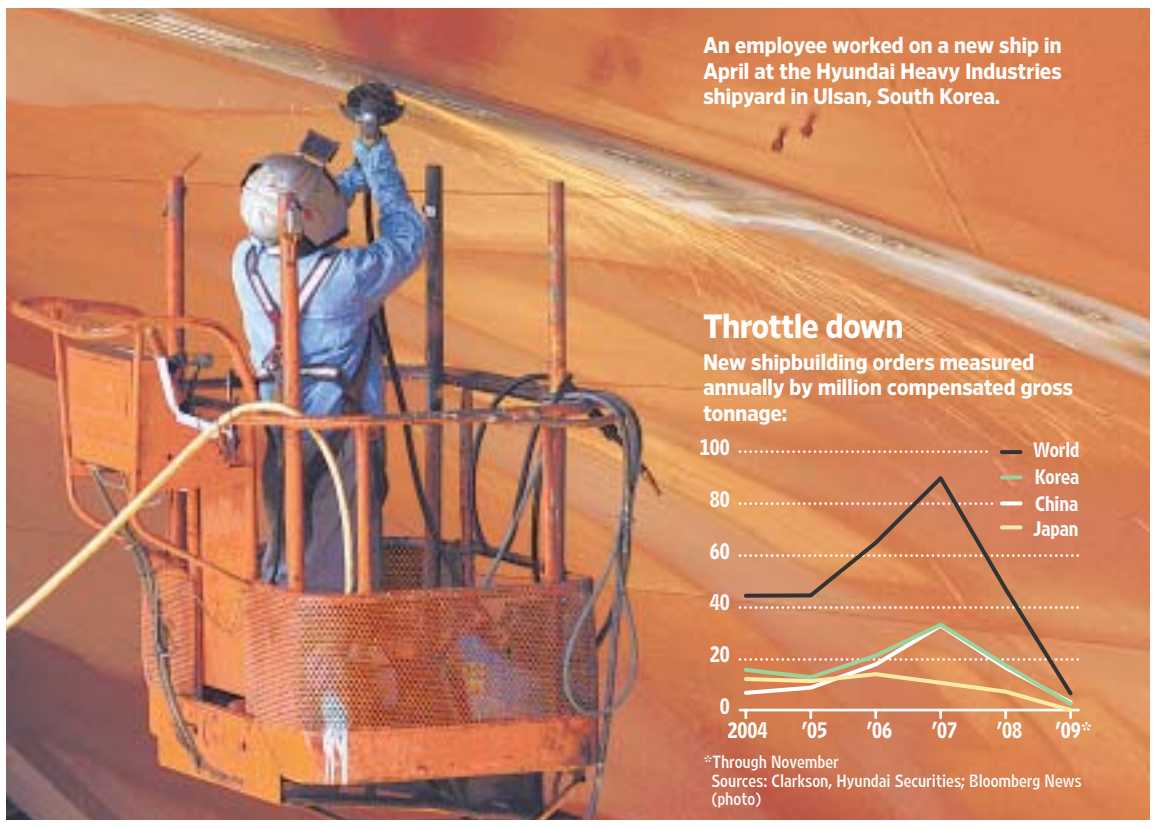


# Taipei may ease China tech restrictions

By Jessie Ho

TAIPEI—Taiwan said it is inclined to ease restrictions on investments by local technology companies in China.

Taiwan bans its flat-panel makers from setting up manufacturing plants in China and allows chip foundries to establish less advanced facilities there, but Taipei has been loosening restrictions on investments in its political rival since President Ma Ying-jeou came to office last year on a platform to improve cross-strait relations.

The government is considering easing the restrictions on technology investments in China and may make a final decision early next year, Minister of Economic Affairs Yen-Shiang Shih said, according to a ministry official. The Taiwanese companies would still be allowed to invest only in plants that are less advanced than the ones they operate in Taiwan, and the investment amount should also be less than the amount they invest in the island, Mr. Shih said, according to the official.

The comments came on the same day that a top Chinese negotiator, Chen Yunlin, arrived for high-level talks seen as step toward reaching a broader free-trade deal between the mainland and the island, which it considers a breakaway province. Taiwan and China will begin contacts for a cross-strait trade pact soon after the talks, said Liu Te-Shun, a deputy minister of Taiwan's Mainland Affairs Council.

Taiwan expects the planned trade agreement with China to help prevent it from being marginalized by increasing integration between China and the island's main export competitors in Southeast Asia. Major chip makers such as Intel Corp. of the U.S. and flat-panel makers such as South Korea's Samsung Electronics Co. have or plan to build advanced factories in China. Taiwan's **AU Optronics** Corp., the world's third-largest flat-panel maker by revenue after Samsung and LG Display Co., will apply to set up its first flat-panel plant in China as soon as the government allows such investments, a spokeswoman said.

*—Crystal Hsu contributed to this article.*

Bloomberg News

AU Optronics of Taiwan is eager to produce flat-panel displays in China.

# Sands to restart Macau projects

*Casino operator expects to complete first two phases of construction by the end of 2011*

By Sam Holmes

SINGAPORE—**Las Vegas Sands** Corp. Chairman Sheldon Adelson on Monday said he expects to restart construction on the casino operator's delayed resort projects in Macau in about five months, with the first two phases of the project to be completed by the end of 2011.

Construction was halted in November last year because of a lack of funding during the credit crunch. The new target underscores Sands' renewed ambitions in Macau, the world's biggest casino growth market and the only place in China where gambling is legal.

Still, shares of the company's Macau unit, **Sands China** Ltd., fell 5.9% Monday to 9.23 Hong Kong dollars ($1.19) a share. The shares have been plagued by concerns about valuation and debt since their initial public offering last month, at which they fell 10%.

Sands China raised US$1.75 billion in project financing last month to restart construction on two plots on a strip of land called Cotai. It will also use US$500 million from the US$2.5 billion raised in last month's IPO for construction purposes.

Mr. Adelson on Monday said he expects phase one of the development to be completed by June 2011 and phase two to be completed by the end of 2011.

Reuters

Las Vegas Sands, whose Macau casino is pictured here, halted expansion plans last year during the credit crunch.

He said he expects the entire Cotai development to be completed within five years.

"Within about five months we'll be remobilized and we'll have all the workers on, and money is not a problem," he said.

Sands plans to build more than 20,000 hotel rooms in Macau, about 1.6 million square feet of exhibition and convention space, more than two million square feet of retail malls and six theaters.

It currently runs the Sands Macao and Plaza casinos and the massive Venetian Macao resort hotel, and has more than 3,500 hotel rooms and suites, more than 1,000 gaming tables and 3,600 slot machines.

Separately, Mr. Adelson said group bookings within Las Vegas, a core part of Sands' business, are returning "in force" and that he expects the groups bookings business to be "two-thirds back to normal" by 2010 and "completely normal" by 2011.

He also expects the first stage of Sands' casino-resort development in Singapore currently under construction, called Marina Bay Sands, to be ready for opening by early April.

"If everything goes okay, we'll be open early in the month of April; if it doesn't go okay, maybe it will be another 10 days later," he said. He said the opening, slated earlier this year for first quarter of 2010, has been delayed by "two or three weeks" because of construction interruptions brought about by rains.

A Sands filing with the U.S. Securities Exchange Commission last week showed the group has signed an agreement with the Singapore government's tourism board that requires Sands to have fully completed the US$5 billion Marina Bay Sands project by no later than the end of 2011.

# Shell considers oil-field sales in Nigeria

By Spencer Swartz

LONDON—**Royal Dutch Shell** PLC is seeking buyers for 10 of its Nigerian onshore oil-production assets after years of militant attacks on its facilities that have squeezed the company's profit, people familiar with the matter said Sunday.

The oil fields have a market value of $4 billion to $5 billion and represent proven oil reserves of about 100 million barrels, one of the people said.

The Anglo-Dutch company, for decades Nigeria's biggest foreign oil operator by production, is looking to dispose of the blocks during the first and second quarters.

The move marks a capitulation of sorts for Shell. The company has borne the brunt of militant attacks over the past four years at its Nigerian onshore facilities, at a loss of hundreds of millions of dollars in profit since 2006. Nigeria has Africa's biggest proven oil and natural-gas reserves.

The militant attacks, fueled by years of poverty and government corruption, have caused operational headaches for Shell because the company often gets blamed by locals for the oil spills and environmental damage resulting from attacks on its pipelines and facilities. Security risks mean Shell usually has to wait days, if not weeks, before going into remote swamp areas to repair damaged facilities.

"I think one can say that Shell is looking to throw in the towel for its onshore Nigeria operations to focus on the offshore, where it doesn't have the problems it has onshore," one of the people familiar with the matter said.

A Shell spokesman declined to comment.

The company's move was first reported by the Times of London.

A Nigerian oil-ministry official said Shell had informed it of its plans to sell the onshore blocks. Nigerian oil officials have said that Chinese state-run oil companies are aiming to boost their production presence in the country

It was unclear whether Shell was looking to leave Nigeria's onshore area altogether and how the company's sales would affect its joint venture with Nigeria's state-run oil company.

Shell's move wouldn't affect its natural-gas export business in Nigeria, one of the people familiar with the situation said. The company has a 26% stake in **Nigeria Liquefied Natural Gas** Ltd.

# Bucyrus to buy Terex mining unit for $1.3 billion

By Jeffrey McCracken

**Bucyrus International** Inc., a mining-equipment manufacturer, said late Sunday it is acquiring **Terex** Corp.'s mining division for $1.3 billion.

Bucyrus, of South Milwaukee, Wis., builds heavy-duty mining equipment such as electric mining shovels and conveyor belts that are used by mining companies to extract copper, coal, iron ore and other minerals.

The Terex Mining unit registers about $1 billion in annual sales, employing about 2,100 people making diesel drills, hydraulic excavators, haul trucks and other mining equipment that is generally smaller than what Bucyrus specializes in.

The deal is structured to be an all-cash transaction, but Terex has an option to decide over the next few days to take $300 million in Bucyrus stock instead of all cash.

Bucyrus traces its roots to the 1880s, having provided excavators and digging equipment for the construction of the Panama Canal. The company has annual revenue of about $2.75 billion and 7,200 employees, many at big manufacturing facilities in South Milwaukee, Houston and Germany. It provides equipment to global mining giants such as **Rio Tinto** PLC and **BHP Billiton** SA.

Bucyrus expects the deal to close by the end of the first quarter and to be accretive to earnings, including synergies, in the first year. Bucyrus shares have recovered strongly in the second half of 2009, last trading Friday at $50.84, well above their 52-week low of $10.62.

Bucyrus Chief Executive Tim Sullivan said the acquisition fits into the broader consolidation trend across the natural-resources business as global mining giants expand.

"As they consolidate and get larger they want suppliers to have the size and girth to ride along with them. They don't want to shop around. It is important to them that you can provide all their mining needs on these big projects," he said.

Mr. Sullivan said the Terex division will expand his company into equipment used to mine precious commodities such as gold and diamonds. He said it also will improve his company's operations in countries such as Indonesia and give it more access to western Australia.

Terex, of Westport, Conn., also makes aerial work platforms, cranes and construction equipment such as backhoes. It had 2008 sales of $9.9 billion.

The deal helps cap a strong finish to merger-and-acquisition activity in an otherwise down year. Capital markets have opened up and made it easier to borrow at the same time there are growing signs the economy is rebounding.

A number of large transactions, both in industrial space and other sectors such as oil, gas and media, were announced in the last two months. Among multibillion-dollar deals were **Exxon Mobil** Corp.'s $31 billion purchase of **XTO Energy** Inc. last week, Warren Buffett's $26.6 billion purchase of railroad operator **Burlington Northern Santa Fe** Corp., and **Stanley Works**' $3.5 billion acquisition of Black & Decker Corp. in November.

Bucyrus has $1.2 billion in committed financing in a term loan led by **J.P. Morgan Chase** & Co. The boutique investment bank **Greenhill** & Co. advised Bucyrus. **Goldman Sachs** advised Terex, which held a several-months auction of the division.

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# GM taps Microsoft CFO

*Liddell joins car maker after four years at software giant*

By John D. Stoll And Joann S. Lublin

**General Motors** Co. appointed **Microsoft** Corp.'s chief financial officer, Chris Liddell, as its new CFO and vice chairman on Monday.

GM's widely expected appointment of a new CFO is the latest step in an executive shake-up that has been taking place over the month of December.

Mr. Liddell joins GM following a four-year stint as Microsoft's top financial executive. He will report to GM Chief Executive Edward E. Whitacre Jr., who is beginning his fourth week as CEO in addition to his post as GM chairman, these people said.

Mr. Liddell's departure from Microsoft had been made public but his destination was unknown. Peter Klein is succeeding Mr. Liddell at the software maker.

"Chris brings a depth and experience to this job that were unmatched in our search for a new financial leader," Mr. Whitacre said in a statement. "We're also looking to his experience and insights in corporate strategy as a member of the senior leadership team in helping our restructuring efforts."

Having a new chief financial officer is considered a critical ingredient in GM's drive to launch an initial public stock offering in as little as 12 months. Its stock was essentially wiped out this summer when it filed for Chapter 11 protection.

Mr. Liddell, 51 years old, succeeds Ray Young, who was named CFO in 2008 as the company was entering a historic liquidity crunch. Mr. Young initially planned to leave the car maker, but has instead accepted a role in China helping run GM's international communications.

Bloomberg News

Chris Liddell will become CFO of GM.

The appointment of a new CFO comes after GM's new board of directors heavily scrutinized the finance and accounting departments. The board was overhauled by the Obama administration following GM's $50 billion bailout by the Treasury Department, with about half of the board being replaced.

Some board members were disappointed to find that GM's financial house appeared to be in disarray, even after its bankruptcy revamping, according to several people familiar with the matter.

The U.S. owns about 60% of GM as a condition of the bailout.

Among the top goals of the new finance chief will be repaying a $6.7 billion taxpayer loan that it was given as part of its rescue package. Last week, GM paid $1 billion of that principal, and also started paying back a smaller loan from Canada. GM plans to repay these loans by June with money it has left over from its government bailouts.

Since joining Microsoft in 2005, Mr. Liddell became well regarded among Wall Street investors and analysts for helping to guide it through a bumpy period as it shifts to being a more mature company from the growth story it once was.

Mr. Liddell made efforts to reduce Microsoft's huge stockpile of cash by boosting dividends and stock buybacks and the company raised debt for the first time in its history. In the past fiscal year alone, Microsoft said it returned $14 billion to shareholders.

Yet Microsoft's stock price rose only modestly since Mr. Liddell joined the company, as investors have fretted about the durability of Microsoft's big software franchises like Windows and Office in the face of competition from **Google** Inc. and other threats.

Before joining Microsoft, Mr. Liddell was CFO at International Paper Co. Prior to that, he was chief executive of Carter Holt Harvey Ltd., then New Zealand's second-largest listed company. He also worked as CEO for CS First Boston NZ Ltd.

# China Telecom to offer BlackBerry in mainland

By Lorraine Luk

HONG KONG—**China Telecom** Corp. became the second Chinese mobile operator to sign a deal with Canada-based **Research In Motion** Ltd. to offer BlackBerry devices in the mainland, in a move that could help the telecommunications company gain competitiveness in the third-generation wireless market.

The company joins **China Mobile** Ltd. in offering BlackBerry devices. The agreement also could help China Telecom gain ground against China Unicom (Hong Kong) Ltd., which offers **Apple** Inc.'s iPhones.

China Telecom spokesman Jacky Yung said Monday the company is working out the practical arrangements with RIM. It doesn't have a timetable yet for when it will start offering the BlackBerry devices.

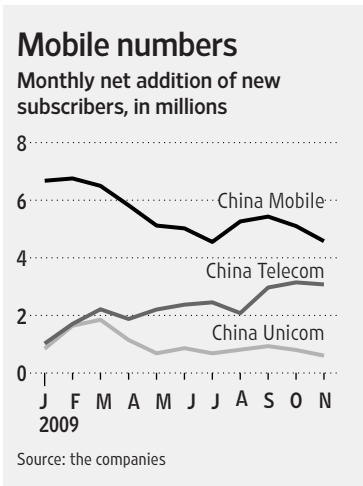
He also said the company is still in talks with **Palm** Inc. to offer Palm's handsets in the mainland.

China Telecom, China's largest fixed-line operator by subscribers, acquired China Unicom's code division multiple access business in October 2008 as part of a government-mandated restructuring of the country's telecom sector. China Telecom has been striving to improve the operation with better network coverage and more handset models for consumers.

China Telecom hopes BlackBerry devices will give it an edge to attract an elite customer base in Chinese cities.

Since 2006, RIM has offered BlackBerry handsets to big businesses in China through China Mobile, the world's biggest telecom operator by subscribers.

Earlier this month, RIM said it will offer BlackBerry handsets to individual users and small businesses in China through China Mobile.




# Sanofi-Aventis to buy Chattem

By Mimosa Spencer

French pharmaceutical company **Sanofi-Aventis** agreed to acquire Chattem Inc., maker of consumer products such as Selsun Blue shampoo and Gold Bond lotions and powders, for $1.9 billion.

Sanofi has been increasing its presence in the over-the-counter market this year as it seeks to offset the impending loss of sales from drugs with expiring patents.

Chattem, based in Chattanooga, Tenn., makes products such as Icy Hot pain-relieving patches and gel and ACT mouthwash, and posted revenue of $454.9 million in 2008.

Sanofi said the deal will propel it to become the world's fifth-biggest over-the-counter drugs company, from No. 6. It estimates the world market to be worth about $20 billion a year.

# Honda plans a new factory in China

By Norihiko Shirouzu

BEIJING—Japan's **Honda Motor** Co. plans to build a new plant in China to keep up with surging demand, according to two company executives, as it joins other global auto makers expanding production capacity in the country.

The executives said one of Honda's main joint ventures is operating close to capacity at a plant in the city of Wuhan in Hubei province. That venture, with **Dongfeng Motor Group** Co., is expected to sell about 200,000 vehicles this year, and its sales are likely to exceed the plant's maximum capacity as early as next year, they said.

The company plans to squeeze additional capacity from the existing plant in Wuhan by investing further in it, said one of the executives.

Still, the maximum capability Honda could extract from the existing factory is 240,000 vehicles a year.

"No final decision has been made, but clearly we are running out of capacity and have been thinking about expanding our production capability in Wuhan by adding a second plant," the same executive said.

An official announcement on the move is likely to be made "very soon," as early as the beginning of next year, one of the executives said.

According to the two executives, Dongfeng-Honda is likely to produce the Honda Civic car at the planned new plant, but one of them pointed to a possibility of adding an additional product there. Dongfeng-Honda currently produces three Honda-branded models, including the CR-V crossover and the Civic.

Bloomberg News

Honda capacity in China is falling behind demand. Above, a Shenzhen dealership.

The new plant in Wuhan could begin production by the end of 2011 and should be able to produce more than 100,000 cars a year, elevating Dongfeng-Honda's manufacturing capacity to more than 340,000 a year, according to the executives.

In addition to its manufacturing base in Wuhan, Honda also operates two final-vehicle-assembly plants in Guangzhou with another Chinese partner.

Those plants have combined capacity to produce 360,000 cars a year.

Honda has seen steady but unspectacular growth in China, which is poised to dethrone the U.S. as the world's biggest auto market this year.

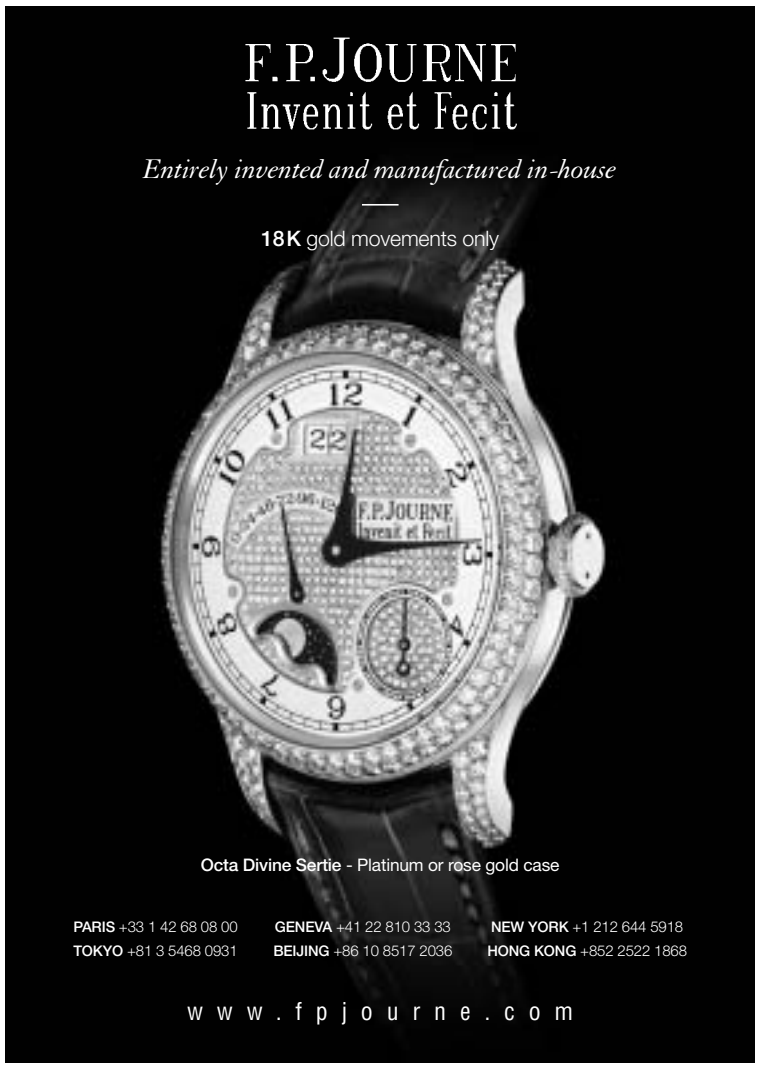
Vehicle sales in China grew about 50% through November and are expected to grow another 10% to 15% next year.

The auto maker's plans follow similar moves by several competitors to expand capacity in China.

**General Motors** Co., for instance, plans to boost sales in China to more than two million vehicles a year and has plans to introduce two dozen new or updated models over the next several years. To reach that sales target, GM executives have said the company would most likely need to build another plant over the next few years.

Germany's **BMW** AG said last month that it would build a second plant in China with its joint-venture partner that would cost about €560 million ($803 million) and more than double its production capacity there to 100,000 cars a year.

Other auto makers, such as **Volkswagen** AG, also based in Germany, and **Nissan Motor** Co., either have already added a new plant or are expanding existing facilities.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MARKETS

# A new CEO, without the swagger

*Morgan Stanley's James Gorman takes over as the bank aims to change its swing-for-the-fences culture*

By Aaron Lucchetti

Craig Schneider for The Wall Street Journal

Mr. Gorman's approach has rankled some at the investment bank, who say he isn't moving fast enough on some management decisions.

Before his first day at **Morgan Stanley** in 2006, James Gorman went to Las Vegas to play poker. He watched Texas hold 'em for hours, without ordering a drink. Once he started playing, he won hundreds of dollars, says a person who was there.

It isn't much of a gambling story, especially by Wall Street standards. But it explains why the 51-year-old Mr. Gorman is about to become the first postcrisis CEO on Wall Street.

The Australian-born Mr. Gorman is a contrast to John Mack, the former bond salesman who routinely made billion-dollar bets that left no doubt where Morgan Stanley was going and who was in charge. He famously got a standing ovation on the trading floor when he returned from exile to become chief executive in 2005.

Mr. Gorman has spent just 10 years on Wall Street, entirely as a manager, gaining his deepest experience in wealth management. The ascendancy of his slow-and-steady style shows how much Morgan Stanley is trying to change the restless, swing-for-the-fences culture that was personified by Mr. Mack but was badly shaken by the financial crisis.

Barely a year after Morgan Stanley pulled out of what looked like a death spiral, the number of regulators passing through the New York firm's headquarters has swelled to more than 100 in some months, one measure of its risk-taking is down by nearly half, and no one wants to be overheard bragging about their bonus in public.

Mr. Gorman says the company "played the cards that were dealt to us successfully." Even as he defends Mr. Mack's performance, though, Mr. Gorman is showing signs that he will be a different CEO when he takes over from Mr. Mack on Jan. 1. And that is unsettling to some Morgan Stanley insiders who wish the firm didn't have to ditch any of its old swagger.

After his promotion was announced in September, Mr. Gorman heard complaints that he wasn't making decisions about a new management lineup fast enough. Mr. Gorman consulted with more than 500 people over a two-month period before this month's shuffle of the company's finance chief, chief administrative officer and three other top executives.

The incoming CEO has said little publicly since his promotion was announced. He will face pressure to rebuild Morgan Stanley's trading operation. It was one of the first to get slammed by subprime loans, and then was whipsawed this year by indecision at the firm over how much risk to take.

But the new chief executive's lack of hands-on experience in sales, trading or investment banking, which churned out 56% of the company's revenue in the first nine months of 2009, evoke worrisome memories of former Morgan Stanley CEO Philip Purcell, who led the firm during a demoralizing slump in its stock and resigned in 2005.

Mr. Gorman is convinced that there is plenty of room for Morgan Stanley to prosper by appealing to clients who want an alternative to the industry's two 800-pound gorillas, Goldman Sachs Group Inc. and J.P. Morgan Chase & Co. True to his history, Mr. Gorman plans to scrutinize every business and trading strategy at the firm.

"I think he will prove to be very client-centric" as Morgan Stanley's chief executive, despite being known more as a profit generator, says Laurence Fink, chairman and CEO of asset-management firm BlackRock Inc. Shortly after Mr. Gorman was named CEO, he met with Mr. Fink twice and chatted with him by phone about how Morgan Stanley could further strengthen its ties to BlackRock.

Mr. Gorman got his toehold on Wall Street as a consultant, specializing in financial companies while at McKinsey & Co., where Merrill was a client. In 1999, Merrill CEO David Komansky hired Mr. Gorman as the securities firm's marketing chief.

Two years later, he was in charge of the successful but bloated brokerage force known as the "thundering herd," pushing through cost cuts.

In many ways, Messrs. Gorman and Mack were an odd couple. Mr. Mack used foul language, slammed phones, reveled in internal politics and rallied his troops at Morgan Stanley to crush the competition, galvanizing the firm's Times Square headquarters in Manhattan.

But Mr. Mack needed someone to salvage Morgan Stanley's brokerage force, which wasn't making much money for its size. After taking the job, Mr. Gorman told the CEO he needed 30 days to review the business before making any strategic or personnel moves.

With three days left, Mr. Mack confronted him at a dinner. "I thought you were going to make some decisions," Mr. Mack told him. Mr. Gorman responded that he needed the three more days. Mr. Gorman made the deadline, getting rid of most of the unit's top managers and continuing with a push by Mr. Mack to eliminate struggling brokers who often presented regulatory risks.

Mr. Gorman's demeanor during the worst of last year's chaos boosted his stature inside the firm. The September 2008 weekend after Lehman Brothers Holdings Inc. filed for bankruptcy, a wave of client defections was draining money from Morgan Stanley.

Colm Kelleher, Morgan Stanley's chief financial officer, said Mr. Gorman was "a calming influence." Instead of barging into his office like other executives to ask whether the firm had enough cash to survive, Mr. Gorman walked in and sat down to review the firm's capital-raising options.

Mr. Gorman favored getting a capital infusion from **Mitsubishi UFJ Financial Group** Inc., even though skeptics worried the Japanese bank either wasn't serious or wouldn't make a decision before it was too late. Mr. Gorman was confident. "They'll do the deal," he told Mr. Mack explaining that he knew MUFG's management from negotiating with them on a venture at Merrill.

After the company got a $9 billion investment from MUFG, Mr. Kelleher gave Messrs. Gorman and Mack and a few other Morgan Stanley officials a replica of the check.

Mr. Mack, who told Mr. Gorman over dinner on Labor Day that the board wanted him to be the next CEO, says he isn't worried about the differences between the two men. "His communication skills and ability to lay out a plan are better than mine," Mr. Mack says.

# Dubai World kicks off talks over $22 billion of debt

By Mirna Sleiman

DUBAI—**Dubai World**'s bid to restructure about $22 billion of debt kicked off Monday, but an initial meeting with creditors delivered little hope of a quick settlement.

Bankers representing more than 90 lenders gathered at the Dubai World Trade Center's Sheik Maktoum conference hall to hear an initial presentation from Dubai World's restructuring team but there was no formal proposal for a standstill of the conglomerate's debts.

"This is a long process that will take long time," said a spokesman for the company after a presentation given to banks in Dubai.

The company, once a crown jewel in the business empire of Dubai's ruler Sheik Mohammed bin Rashid Al Maktoum, tipped the emirate into crisis when it announced Nov. 25 that it would seek to freeze its debts for six months.

Bankers attending the meeting were divided over whether creditors would accept a reduced repayment, or agree to refinance Dubai World's obligations. "I can guarantee there will not be haircuts," said one local banker attending the meetings.

Dubai World is at the center of global concern that Dubai, the second-largest sheikdom in the United Arab Emirates, may not be able to service its $80 billion mountain of debt built up over the last decade to build grandiose real-estate projects and buy assets overseas.

Drawn-out negotiations with banks could add further to uncertainty about the emirate's finances just as it begins to rebuild its international reputation.

"I think this negotiation may have a direct bearing on markets, and if uncertainty prevails or there is lack of positive traction, we in turn may see limited upside," said Saud Masud, head of research at UBS AG in Dubai.

The Dubai World spokesman said the company will make interest payments on its debts until a standstill can be agreed with creditors.

*—Alex Delmar-Morgan and Maria Abi Habib contributed to this article.*

BUSINESS & FINANCE

# Clouds lift for Qantas

By Bill Lindsay

SYDNEY—**Qantas Airways** Ltd. said Monday that it expects to return to profitability this fiscal year as an increased number of passengers, particularly on domestic routes, allows the airline to raise airfares and boost capacity.

Australia's national carrier is recovering faster than its global counterparts due to a firm local economy and its dual-brand flying strategy.

Its discount carrier, Jetstar, has helped it better manage revenue and cost pressures compared with the global airline industry, which is facing an estimated US$11 billion in losses this year.

Qantas said it expects profit before taxes of between 50 million Australian dollars (US$44.5 million) and A$150 million for the six months ended Dec. 31. While well down from its profit before taxes of A$288 million in the same period a year ago, it represents an improvement from its loss of A$107 million in the second half of the fiscal year ended June 30, when declining passenger numbers led to heavy discounting of fares.

Qantas said that as a result of improved domestic demand, it will begin restoring some flying capacity that it removed over the past 18 months amid high fuel prices and softer passenger demand due to the global financial crisis.

Less than two weeks after Jetstar said it would add about 700,000 annual seats to its domestic network by July, Qantas said it plans to add about 340,000 annual seats to its mainline domestic operations starting in March.

"We are seeing some improvements in domestic demand and so the time is right to begin restoring capacity to ensure we are well placed to meet that demand," said Qantas Chief Executive Alan Joyce.

The airline's shares Monday rose 5.1% to A$2.88.

Morgan Stanley analyst Philip Wensley said he expects upgrades to a consensus forecast for Qantas' fiscal-year profit before tax of about A$443 million, with conditions expected to improve further in the second half.

The airline said that for the five months to November, yields—a measure of average ticket prices—are still down 8.9% on domestic flights and 23.2% lower on international flights compared with a year earlier.

Mr. Wensley estimates that domestic yields fell just 3.6% in November compared with a year ago, following declines of 5% in October and over 10% in September.

Qantas said it carried 3.48 million passengers in November, up 9.7% from a year earlier, as passenger demand continued to improve across Jetstar and its domestic and regional networks.

# *Seoul frets over shipbuilding sector*

*Continued from page 21*

in vessels ordered for all of last year and 89.7 million CGT in vessels ordered in 2007, the biggest year for ship orders in history.

Amid the plunge, China's shipbuilders surged ahead of South Korea's in new orders, though figures from both countries are far below last year's levels. In the past few weeks, Korean shipbuilders announced a handful of big deals and its manufacturers may yet finish the year with the lead.

Daewoo Shipbuilding, the world's third-largest shipbuilder by revenue and tonnage, after **Hyundai Heavy Industries** Co. and **Samsung Heavy Industries** Co., on Friday said it had received an order valued at $1.1 billion to build two oil-drilling ships in 2012. Earlier this month, Samsung announced an order to build a $1.1 billion cruise ship designed to be a floating luxury residence. It was Samsung's first ship order of the year. A year ago, Samsung and Daewoo Shipbuilding executives said they would aim for $10 billion in orders this year.

But shipbuilders are scoring far more deals to build offshore oil and gas platforms than contracts for vessels. The platform business typically had provided only about 20% of revenue for shipbuilding companies but could grow to 40%–50% in coming years, analysts say.

"The big scramble right now is for these offshore projects," says Peter Bartholomew, a broker and longtime industry consultant in Seoul who is working on deals for five platforms.

Some investors and shipbuilders also are looking at building offshore platforms that hold windmills that would generate electricity, a potential new business. Several shipbuilders in recent months announced small projects to build wind turbines on land.

Even so, big job losses are nearly certain over the next few years in shipyards world-wide. **Hanjin Heavy Industries and Construction** Co., a South Korean company that employs 2,500 people at big shipyards in South Korea and the Philippines, this month announced it was starting an early-retirement program.

Larger companies that rely heavily on subcontractors for a portion of their work force are likely to whittle down those contracts next year. "Slowly we will reduce our dependence on outside contractors," says Daewoo Shipbuilding's Mr. Ki. "That's the only thing we can do for the time being."

*—Jaeyeon Woo contributed to this article.*

# *For bankers, Japan fees look hard to beat*

*Continued from page 21*

Japanese firms pounced. Talk of stricter capital-adequacy rules for financial institutions prompted a wave of equity issuance by the likes of Nomura Holdings and Mitsubishi UFJ Financial Group. Finance-sector issuance is running at $37.3 billion year-to-date—more than fourfold the year-earlier amount.

Japanese firms' issuance of new shares coincided with fund managers' revived appetite for equity and gave them a chance to buy in bulk at lower-than-market prices.

Now, sentiment appears to be souring. The benchmark Nikkei Stock Average of 225 companies is 4.3% off its August peak and, while up 15% so far this year, has underperformed other big markets.

Bankers say some of the most recent investor roadshows, such as the ones by NEC and Hitachi, failed to convince potential share buyers that big companies could offer a credible growth story, making dilution tough to justify.

The December survey of global fund managers by Bank of America Merrill Lynch showed investors were increasingly pessimistic on Japanese equities, going from 30% net underweight in November to 33% in December.

News last week that global regulators will likely allow Japanese financial institutions more time to improve the quality of their core capital also will slow the rush to market. Still, investment-banker hopes are hard to quash. Some companies caught in the economic downturn still face liquidity crunches and have little choice but to pay for help.

In recent months, UBS advised real-estate company Kenedix on an equity issue and a debt-exchange offer. Kenedix has said the refinancing would have no impact on its business forecast.

"Although the deal size is very small, these difficult ones tend to be very profitable transactions for us," UBS's Mr. Matsui said.

Bankers also are busy designing rights-issue structures for Japanese issuers. Rights issues—an offer to existing shareholders of transferable rights to buy a proportional number of additional securities—offer a potential solution to dilution fears and generate high fees. Still, bankers say Japanese issuers are loath to be the first to offer a structure that could be labeled unusual.

Initial public offerings aren't expected to disappear completely. One big fee generator next year could be the much anticipated IPO of Dai-ichi Mutual Life Insurance.

Investment bankers in Japan also are hoping for a pickup in mergers and acquisitions, especially as companies look abroad for growth while the yen is still strong.

"CEOs on global roadshows this year were really shocked how little investors care about Japan," said Yuichi Jimbo, head of investment banking at J.P. Morgan in Japan, adding, "This gave them a fillip to come up with a more convincing growth story—to invest in markets like China—and execute on it."

Cross-border M&A generates 30% higher fees for bankers than domestic deals, estimated one banker, because they are more complex. The banker expects investment-banking revenue in Japan to rise by another 25% next year, despite the challenges.

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| 1 | Apple | 23250 |
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THE WALL STREET JOURNAL. ASIA

# Japanese yields decline on monetary-policy talk

By Takashi Mochizuki And Tomoyuki Tachikawa

TOKYO—Japanese government bond yields fell Monday on expectations that the nation's financial conditions will remain accommodative for some time.

**BOND MARKETS**

Investors increased their purchases of bonds after the Bank of Japan said Friday it won't tolerate falling consumer prices. Analysts interpreted the remark as a sign that the central bank is pledging to continue easy monetary-policy measures to combat deflation, helping push medium and long-term yields lower.

The benchmark 10-year yield eased 0.005 percentage point to 1.22%. The five-year yield fell 0.025 percentage point to 0.43%, its lowest mark since July 2005.

Yields could continue to fall at least throughout this year, as the central bank's comment is likely to have long-lasting impact.

"Because it's the year-end and we don't have many fresh trading cues coming up, investors have no choice but to keep attributing the BOJ's remark as trading material," said Eiji Dohke, chief strategist in Tokyo at UBS Securities.

# Yield gap at a record

By Min Zeng

Treasury prices fell Monday, with the yield spread between the two- and 10-year notes widening to historic levels, as riskier assets including stocks and commodities performed better and dimmed the allure of low-risk government debt.

**U.S. CREDIT MARKETS**

Bond prices fell as U.S. stocks extended a rally, while Chicago Federal Reserve Bank President Charles Evans said 2010 will almost certainly be a better year for the U.S. economy than 2009.

The 10-year note's yield touched 3.663%, the highest since 3.772% on Aug. 13. Traders said reduced trading volume amid the holiday season, may exaggerate the price moves.

Late morning, the two-year Treasury note was 3/32 lower at 99 26/32 to yield 0.844%, the 10-year note fell 23/32 to 97 27/32 to yield 3.636%, while the 30-year bond fell 1 4/32 to 97 16/32 to yield 4.528%. Prices move inversely to yields.

The yield spread, known as the benchmark yield curve, widened to 2.80 percentage points from 2.72 points on Friday. The gap hit an intraday record of 2.78 points in early June. The closing record of 2.76 points was hit last week.

# Banks ponder globalizing bonus pain

By Sara Schaefer Muñoz And David Crawford

As 2009 winds down, big banks are sorting out one last headache: whether to spread the pain of the U.K.'s new bonus tax among their global work forces by cutting bonus pools all over the world.

The banking sector was roiled this month when the U.K. said it would impose a 50% tax on the portion of discretionary bonuses above £25,000 ($40,355). While the tax is to be paid by employers, it threatens to dent employees' bottom line by encouraging banks to pay smaller bonuses as the industry emerges from the financial crisis, which was the goal of the U.K. government in imposing the tax.

That sent banks with operations in the U.K. scrambling to determine how to comply while keeping any disruption to their work forces at a minimum. If banks chose to let their U.K employees bear the brunt of the new tax, it could spawn divisiveness within banks that count on global cooperation in their operations.

The debate heated up late last week after **Deutsche Bank** AG Chief Executive Josef Ackermann said his bank was considering "globalizing" the tax by lowering bonus pools throughout the German bank's businesses.

Other banks are considering the same option. Representatives from **Barclays** PLC, **HSBC Holdings** PLC, **Royal Bank of Scotland Group** PLC, **J.P. Morgan Chase** & Co., **Citigroup** Inc., **Morgan Stanley**, **Credit Suisse Group** AG, **UBS** AG and **Goldman Sachs Group** Inc. said no decision had yet been made.

People close to the banks say they generally are considering two ways of dealing with the tax. The first is that banks may choose to pay out the planned amount of bonuses to U.K. employees in order to retain top people and simply shoulder the 50% tax. Or, they could offset the tax by lowering bonus pools globally.

On Sunday, Deutsche Bank spokesman Roland Weichert confirmed the bank expects to spread among its global staff the pain of any national tax on bonus payments, but said no final decision had been made.

# FUND SCORECARD

## Emerging Markets Equity

Funds that invest at least 75% of equity assets in emerging markets equities. At least 75% of total assets are invested in equities. Ranked on % total return (dividends reinvested) in U.S. dollars for one year ending December 21, 2009

### Leading 10 Performers

| FUND RATING* | FUND NAME | FUND MGM'T CO. | CURR. | LEGAL BASE | % Return in $US** YTD | 1-YR | 2-YR | 5-YR |
|---|---|---|---|---|---|---|---|---|
| 3 | **AB Emerging Markets Value S1** | BROWN BROTHERS HARRIMAN (LUX) S.A. | USD | Luxembrg | **95.53** | 99.87 | -7.08 | 14.26 |
| NS | **Carmignac Portfolio Emerging Discovery** | Carmignac Gestion | EUR | Luxembrg | **94.69** | 96.44 | -7.30 | NS |
| 5 | **SKAGEN Kon-Tiki** | SKAGEN AS | NOK | Norway | **91.60** | 93.02 | -0.04 | NS |
| 5 | **Baillie Gifford Emerg Mkts Gr B Inc** | Baillie Gifford </td> Co Limited. | GBP | United Kingdom | **92.05** | 90.66 | -5.76 | 19.97 |
| NS | **Comgest Growth GEM PC Acc** | Comgest Asset Management International L | EUR | Ireland | **84.81** | 89.54 | -8.82 | NS |
| NS | **Aviva Investors Em Mkts Eq Sm Cp A $** | Aviva Investors Luxembourg SA | USD | Luxembrg | **81.02** | 84.77 | -10.61 | NS |
| 3 | **Dimensional Emerging Mkts Val B EUR** | Dimensional Fund Advisors Ltd. (Ireland) | EUR | Ireland | **85.18** | 84.49 | -6.00 | NS |
| 4 | **CAAM Actions Emergents P** | Crédit Agricole | EUR | France | **89.72** | 84.19 | -6.87 | 19.00 |
| 4 | **LCL Actions Emergents** | LCL Income Properties L P I | EUR | France | **89.66** | 84.13 | -6.91 | 19.39 |
| 4 | **Robeco Emerg Stars Equities D EUR** | Robeco Asset Management | EUR | Luxembrg | **96.31** | 83.83 | -4.64 | NS |

**NOTE**: Changes in currency rates will affect performance and rankings.
**KEY**: ** 2YR and 5YR performance is annualized
**NA**-not available due to incomplete data;
**NS**-fund not in existence for entire period

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| FUND NAME | GF | AT | LB | NAV DATE | CR | NAV | —%RETURN— YTD | 12-MO | 2-YR |
|---|---|---|---|---|---|---|---|---|---|
| AHW Top-Div.Int. | GL | EQ | LUX | 12/18 | EUR | 53.82 | 19.4 | 21.5 | -28.4 |

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| FUND NAME | GF | AT | LB | NAV DATE | CR | NAV | —%RETURN— YTD | 12-MO | 2-YR |
|---|---|---|---|---|---|---|---|---|---|
| Am Eq Blend A | OT | OT | LUX | 12/18 | USD | 10.20 | 24.2 | 26.1 | -15.4 |
| Am Eq Blend B | US | EQ | LUX | 12/18 | USD | 9.59 | 23.1 | 24.9 | -16.2 |
| Am Growth A | US | EQ | LUX | 12/18 | USD | 30.15 | 31.7 | 44.7 | -7.2 |
| Am Growth AX | US | EQ | LUX | 12/18 | USD | 32.54 | 32.4 | 45.6 | -6.6 |
| Am Growth B | US | EQ | LUX | 12/18 | USD | 25.36 | 30.4 | 43.3 | -8.1 |
| Am Growth C | US | EQ | LUX | 12/18 | USD | 27.28 | 31.1 | 44.0 | -7.6 |
| Am Growth I | US | EQ | LUX | 12/18 | USD | 33.41 | 32.7 | 45.9 | -6.4 |
| Am Income A | US | BD | LUX | 12/18 | USD | 8.45 | 24.7 | 26.8 | 5.5 |
| Am Income A2 | US | BD | LUX | 12/18 | USD | 19.05 | 25.2 | 26.8 | 5.5 |
| Am Income A2 | OT | OT | NA | 12/18 | HKD | 147.78 | NS | NS | NS |
| Am Income AT | OT | OT | NA | 12/18 | HKD | 65.63 | NS | NS | NS |
| Am Income AT | US | BD | LUX | 12/18 | USD | 8.46 | 25.2 | 27.0 | 5.6 |
| Am Income B | US | BD | LUX | 12/18 | USD | 8.45 | 23.8 | 25.8 | 4.7 |
| Am Income B2 | US | BD | LUX | 12/18 | USD | 16.43 | 24.4 | 26.0 | 4.8 |
| Am Income B2 | OT | OT | NA | 12/18 | HKD | 127.46 | NS | NS | NS |
| Am Income BT | OT | OT | NA | 12/18 | HKD | 65.94 | NS | NS | NS |
| Am Income BT | US | BD | LUX | 12/18 | USD | 8.50 | 24.4 | 26.0 | 4.8 |
| Am Income C | US | BD | LUX | 12/18 | USD | 8.45 | 24.1 | 26.2 | 5.0 |
| Am Income C2 | US | BD | LUX | 12/18 | USD | 24.43 | 24.7 | 26.3 | 5.1 |
| Am Income I | US | BD | LUX | 12/18 | USD | 8.45 | 25.4 | 27.6 | 6.1 |
| Am Value A | US | EQ | LUX | 12/18 | USD | 8.45 | 17.2 | 20.7 | -14.5 |
| Am Value B | US | EQ | LUX | 12/18 | USD | 7.78 | 15.9 | 19.5 | -15.4 |
| Am Value C | US | EQ | LUX | 12/18 | USD | 8.46 | 16.7 | 20.2 | -14.9 |
| Am Value I | US | EQ | LUX | 12/18 | USD | 9.10 | 18.2 | 21.8 | -13.8 |
| Emg Mkts Debt A | GL | BD | LUX | 12/18 | USD | 15.55 | 43.4 | 45.2 | 7.7 |
| Emg Mkts Debt A2 | GL | BD | LUX | 12/18 | USD | 20.05 | 44.0 | 45.3 | 7.8 |
| Emg Mkts Debt AT | GL | BD | LUX | 12/18 | USD | 15.64 | 44.1 | 45.4 | 7.8 |
| Emg Mkts Debt B | GL | BD | LUX | 12/18 | USD | 15.55 | 42.2 | 43.8 | 6.7 |
| Emg Mkts Debt B2 | GL | BD | LUX | 12/18 | USD | 19.32 | 42.7 | 43.9 | 6.7 |
| Emg Mkts Debt BT | GL | BD | LUX | 12/18 | USD | 15.62 | 42.7 | 43.8 | 6.7 |
| Emg Mkts Debt C | GL | BD | LUX | 12/18 | USD | 15.55 | 42.8 | 44.6 | 7.2 |
| Emg Mkts Debt C2 | GL | BD | LUX | 12/18 | USD | 19.71 | 43.4 | 44.6 | 7.3 |
| Emg Mkts Debt I | GL | BD | LUX | 12/18 | USD | 15.55 | 44.1 | 45.9 | 8.3 |
| Emg Mkts Growth A | GL | EQ | LUX | 12/18 | USD | 33.35 | 66.4 | 64.6 | -13.6 |
| Emg Mkts Growth B | GL | EQ | LUX | 12/18 | USD | 28.28 | 64.9 | 63.0 | -14.4 |
| Emg Mkts Growth C | GL | EQ | LUX | 12/18 | USD | 28.92 | 65.7 | 63.9 | -13.9 |
| Emg Mkts Growth I | GL | EQ | LUX | 12/18 | USD | 36.97 | 67.7 | 66.0 | -12.9 |
| Eur Growth A | OT | OT | LUX | 12/18 | USD | 9.74 | 21.9 | 26.2 | -18.8 |
| Eur Growth A | OT | OT | LUX | 12/18 | EUR | 6.79 | 21.9 | 26.2 | -18.8 |
| Eur Growth B | OT | OT | LUX | 12/18 | EUR | 6.11 | 20.8 | 25.2 | -19.5 |
| Eur Growth B | OT | OT | LUX | 12/18 | USD | 8.76 | 20.8 | 25.2 | -19.5 |
| Eur Growth C | EU | EQ | LUX | 12/18 | EUR | 5.14 | 21.2 | 25.7 | -19.2 |
| Eur Growth I | OT | OT | LUX | 12/18 | USD | 10.61 | 22.7 | 27.4 | -18.1 |
| Eur Growth I | OT | OT | LUX | 12/18 | EUR | 7.40 | 22.7 | 27.4 | -18.1 |
| Eur Income A | OT | OT | LUX | 12/18 | EUR | 6.64 | 39.7 | 39.5 | 4.1 |
| Eur Income A | OT | OT | LUX | 12/18 | USD | 9.52 | 39.7 | 39.5 | 4.1 |
| Eur Income A2 | OT | OT | LUX | 12/18 | EUR | 12.92 | 40.3 | 39.5 | 4.1 |
| Eur Income A2 | OT | OT | LUX | 12/18 | USD | 18.53 | 40.3 | 39.5 | 4.1 |
| Eur Income AT | EU | BD | LUX | 12/18 | EUR | 6.65 | 40.3 | 39.7 | 4.2 |
| Eur Income B | OT | OT | LUX | 12/18 | EUR | 6.64 | 39.0 | 38.6 | 3.3 |
| Eur Income B | OT | OT | LUX | 12/18 | USD | 9.52 | 39.0 | 38.6 | 3.3 |
| Eur Income B2 | OT | OT | LUX | 12/18 | EUR | 12.02 | 39.3 | 38.5 | 3.4 |
| Eur Income B2 | OT | OT | LUX | 12/18 | USD | 17.24 | 39.3 | 38.5 | 3.4 |
| Eur Income BT | EU | BD | LUX | 12/18 | EUR | 6.65 | 39.5 | 38.6 | 3.4 |
| Eur Income C | OT | OT | LUX | 12/18 | EUR | 6.64 | 39.2 | 38.9 | 3.6 |
| Eur Income C | OT | OT | LUX | 12/18 | USD | 9.52 | 39.2 | 38.9 | 3.6 |
| Eur Income C2 | OT | OT | LUX | 12/18 | EUR | 12.88 | 39.7 | 38.9 | 3.6 |
| Eur Income C2 | OT | OT | LUX | 12/18 | USD | 18.47 | 39.7 | 38.9 | 3.6 |
| Eur Income I | OT | OT | LUX | 12/18 | EUR | 6.64 | 40.3 | 40.2 | 4.6 |
| Eur Income I | OT | OT | LUX | 12/18 | USD | 9.52 | 40.3 | 40.2 | 4.6 |
| Eur Strat Value A | OT | OT | LUX | 12/18 | EUR | 8.30 | 19.3 | 23.7 | -22.4 |
| Eur Strat Value A | OT | OT | LUX | 12/18 | USD | 11.90 | 19.3 | 23.7 | -22.4 |
| Eur Strat Value I | OT | OT | LUX | 12/18 | EUR | 8.49 | 20.1 | 24.7 | -21.7 |
| Eur Strat Value I | OT | OT | LUX | 12/18 | USD | 12.18 | 20.1 | 24.7 | -21.7 |
| Eur Value A | OT | OT | LUX | 12/18 | EUR | 8.94 | 22.8 | 27.5 | -19.4 |
| Eur Value A | OT | OT | LUX | 12/18 | USD | 12.82 | 22.8 | 27.5 | -19.4 |
| Eur Value B | OT | OT | LUX | 12/18 | USD | 11.80 | 21.6 | 26.2 | -20.2 |
| Eur Value B | OT | OT | LUX | 12/18 | EUR | 8.23 | 21.6 | 26.2 | -20.2 |
| Eur Value C | OT | OT | LUX | 12/18 | USD | 12.41 | 22.2 | 27.0 | -19.8 |
| Eur Value C | OT | OT | LUX | 12/18 | EUR | 8.65 | 22.2 | 27.0 | -19.8 |
| Eur Value I | OT | OT | LUX | 12/18 | USD | 14.80 | 23.6 | 28.5 | -18.8 |
| Eur Value I | OT | OT | LUX | 12/18 | EUR | 10.32 | 23.6 | 28.5 | -18.8 |
| GI Balanced (Euro) A | OT | OT | LUX | 12/18 | USD | 16.29 | 19.8 | 21.9 | -11.4 |
| GI Balanced (Euro) B | OT | OT | LUX | 12/18 | USD | 15.88 | 18.6 | 20.7 | -12.3 |
| GI Balanced (Euro) C | OT | OT | LUX | 12/18 | USD | 16.16 | 19.5 | 21.6 | -11.7 |
| GI Balanced (Euro) I | OT | OT | LUX | 12/18 | USD | 16.58 | NS | NS | NS |
| GI Balanced A | US | BA | LUX | 12/18 | USD | 16.34 | 22.9 | 24.2 | -10.6 |
| GI Balanced B | US | BA | LUX | 12/18 | USD | 15.54 | 21.8 | 22.8 | -11.5 |
| GI Balanced C | OT | OT | LUX | 12/18 | USD | 16.10 | 22.6 | 23.8 | -10.9 |
| GI Balanced C | OT | OT | LUX | 12/18 | EUR | 11.22 | 22.6 | 23.8 | -10.9 |
| GI Balanced I | US | BA | LUX | 12/18 | USD | 16.94 | 23.7 | 25.0 | -10.0 |
| GI Bond A | US | BD | LUX | 12/18 | USD | 9.33 | 13.4 | 14.3 | 5.1 |
| GI Bond A2 | US | BD | LUX | 12/18 | USD | 16.15 | 13.7 | 14.3 | 5.1 |
| GI Bond A2 | OT | OT | NA | 12/18 | HKD | 125.28 | 13.7 | 14.3 | 5.1 |
| GI Bond AT | OT | OT | LUX | 12/18 | HKD | 72.46 | 13.7 | 14.3 | 5.1 |
| GI Bond AT | US | BD | LUX | 12/18 | USD | 9.34 | 13.7 | 14.3 | 5.1 |
| GI Bond B | US | BD | LUX | 12/18 | USD | 9.33 | 12.3 | 13.2 | 4.0 |
| GI Bond B2 | US | BD | LUX | 12/18 | USD | 14.15 | 12.6 | 13.2 | 4.0 |
| GI Bond B2 | OT | OT | NA | 12/18 | HKD | 109.77 | 12.6 | 13.2 | 4.0 |
| GI Bond BT | OT | OT | LUX | 12/18 | HKD | 72.69 | 12.6 | 13.2 | 4.0 |
| GI Bond BT | US | BD | LUX | 12/18 | USD | 9.37 | 12.6 | 13.2 | 4.0 |
| GI Bond C | US | BD | LUX | 12/18 | USD | 9.33 | 12.9 | 13.8 | 4.6 |
| GI Bond C2 | US | BD | LUX | 12/18 | USD | 14.02 | 13.2 | 13.8 | 4.6 |
| GI Bond I | US | BD | LUX | 12/18 | USD | 9.33 | 13.9 | 15.0 | 5.7 |
| GI Conservative A | US | BA | LUX | 12/18 | USD | 14.84 | 15.2 | 16.0 | -4.2 |
| GI Conservative A2 | US | BA | LUX | 12/18 | USD | 16.90 | 15.9 | 16.7 | -3.8 |
| GI Conservative B | US | BA | LUX | 12/18 | USD | 14.84 | 14.4 | 15.1 | -5.0 |
| GI Conservative B2 | US | BA | LUX | 12/18 | USD | 16.06 | 14.8 | 15.5 | -4.8 |
| GI Conservative C | US | BA | LUX | 12/18 | USD | 14.84 | 14.9 | 15.7 | -4.5 |
| GI Conservative C2 | US | BA | LUX | 12/18 | USD | 16.53 | 15.4 | 16.2 | -4.3 |
| GI Conservative I | US | BA | LUX | 12/18 | USD | 14.91 | 16.0 | 16.9 | -3.4 |
| GI Eq Blend A | GL | EQ | LUX | 12/18 | USD | 11.43 | 27.9 | 29.6 | -21.2 |
| GI Eq Blend B | GL | EQ | LUX | 12/18 | USD | 10.73 | 26.7 | 28.3 | -22.0 |
| GI Eq Blend C | GL | EQ | LUX | 12/18 | USD | 11.22 | 27.2 | 28.8 | -21.6 |
| GI Eq Blend I | GL | EQ | LUX | 12/18 | USD | 12.05 | 28.9 | 30.6 | -20.6 |
| GI Growth A | GL | EQ | LUX | 12/18 | USD | 40.97 | 27.0 | 28.8 | -22.3 |
| GI Growth B | GL | EQ | LUX | 12/18 | USD | 34.21 | 25.8 | 27.5 | -23.0 |
| GI Growth C | GL | EQ | LUX | 12/18 | USD | 39.32 | 26.5 | 28.2 | -22.6 |
| GI Growth I | GL | EQ | LUX | 12/18 | USD | 45.48 | 28.0 | 29.8 | -21.6 |
| GI High Yield A | US | BD | LUX | 12/18 | USD | 4.30 | 58.4 | 63.3 | 3.9 |
| GI High Yield A2 | US | BD | LUX | 12/18 | USD | 9.17 | 59.2 | 63.2 | 3.9 |
| GI High Yield A2 | OT | OT | NA | 12/18 | HKD | 71.14 | 59.2 | 63.2 | 3.9 |
| GI High Yield AT | OT | OT | NA | 12/18 | HKD | 33.12 | 59.4 | 63.2 | 4.0 |
| GI High Yield AT | US | BD | LUX | 12/18 | USD | 4.27 | 59.4 | 63.2 | 4.0 |
| GI High Yield B | US | BD | LUX | 12/18 | USD | 4.30 | 56.5 | 61.1 | 2.6 |
| GI High Yield B2 | US | BD | LUX | 12/18 | USD | 14.74 | 57.6 | 61.4 | 2.9 |
| GI High Yield B2 | OT | OT | NA | 12/18 | HKD | 114.35 | 57.6 | 61.4 | 2.9 |
| GI High Yield BT | OT | OT | NA | 12/18 | HKD | 33.67 | 57.4 | 61.5 | 2.9 |
| GI High Yield BT | US | BD | LUX | 12/18 | USD | 4.34 | 57.4 | 61.5 | 2.9 |
| GI High Yield C | US | BD | LUX | 12/18 | USD | 4.30 | 57.6 | 62.4 | 3.4 |
| GI High Yield C2 | US | BD | LUX | 12/18 | USD | 13.59 | 58.6 | 62.4 | 3.4 |
| GI High Yield I | US | BD | LUX | 12/18 | USD | 4.30 | 59.5 | 64.5 | 4.6 |
| GI Thematic Res. A | OT | OT | LUX | 12/18 | USD | 14.39 | 64.5 | 64.1 | -3.3 |
| GI Thematic Res. B | OT | OT | LUX | 12/18 | USD | 12.59 | 62.9 | 62.2 | -4.2 |
| GI Thematic Res. I | OT | OT | LUX | 12/18 | USD | 16.04 | 65.7 | 65.4 | -2.5 |
| GI Value A | GL | EQ | LUX | 12/18 | USD | 10.94 | 28.9 | 30.5 | -20.2 |
| GI Value B | GL | EQ | LUX | 12/18 | USD | 10.05 | 27.5 | 29.2 | -21.1 |
| GI Value C | GL | EQ | LUX | 12/18 | USD | 10.63 | 28.2 | 30.0 | -20.6 |
| GI Value I | GL | EQ | LUX | 12/18 | USD | 11.62 | 29.7 | 31.4 | -19.7 |
| Greater China A | AS | EQ | LUX | 12/18 | USD | 38.51 | 50.1 | 46.8 | -16.5 |
| Greater China B | AS | EQ | LUX | 12/18 | USD | 34.09 | 48.7 | 45.2 | -17.3 |
| Greater China C | AS | EQ | LUX | 12/18 | USD | 38.03 | 49.5 | 46.1 | -16.9 |
| India Growth A | OT | OT | LUX | 12/18 | USD | 121.66 | NS | NS | NS |
| India Growth AX | OT | OT | LUX | 12/18 | USD | 106.33 | 84.1 | 84.6 | -12.0 |
| India Growth B | OT | OT | LUX | 12/18 | USD | 127.49 | NS | NS | NS |
| India Growth BX | OT | OT | LUX | 12/18 | USD | 90.92 | 82.3 | 82.7 | -12.8 |
| India Growth I | EA | EQ | LUX | 12/18 | USD | 110.18 | 84.8 | 85.4 | -11.7 |
| Int'l Health Care A | OT | EQ | LUX | 12/18 | USD | 135.52 | 15.4 | 17.9 | -9.0 |
| Int'l Health Care B | OT | EQ | LUX | 12/18 | USD | 114.35 | 14.3 | 16.7 | -9.9 |
| Int'l Health Care C | OT | EQ | LUX | 12/18 | USD | 129.90 | 14.9 | 17.4 | -9.4 |
| Int'l Health Care I | OT | EQ | LUX | 12/18 | USD | 148.03 | 16.3 | 18.9 | -8.3 |
| Int'l Technology A | OT | EQ | LUX | 12/18 | USD | 107.15 | 46.5 | 47.9 | -11.8 |
| Int'l Technology B | OT | EQ | LUX | 12/18 | USD | 92.88 | 45.1 | 46.4 | -12.7 |
| Int'l Technology C | OT | EQ | LUX | 12/18 | USD | 103.57 | 45.9 | 47.2 | -12.2 |
| Int'l Technology I | OT | EQ | LUX | 12/18 | USD | 120.12 | 47.6 | 49.1 | -11.1 |
| Japan Eq Blend A | JP | EQ | LUX | 12/18 | JPY | 5888.00 | 9.7 | 15.0 | -23.3 |
| Japan Eq Blend B | JP | EQ | LUX | 12/18 | JPY | 5683.00 | 8.7 | 13.9 | -24.1 |
| Japan Eq Blend C | JP | EQ | LUX | 12/18 | JPY | 5794.00 | 9.2 | 14.5 | -23.7 |
| Japan Growth A | JP | EQ | LUX | 12/18 | JPY | 5756.00 | 3.5 | 8.0 | -23.7 |
| Japan Growth B | JP | EQ | LUX | 12/18 | JPY | 5556.00 | 2.5 | 6.9 | -24.5 |
| Japan Growth C | JP | EQ | LUX | 12/18 | JPY | 5665.00 | 3.0 | 7.5 | -24.1 |
| Japan Strat Value A | JP | EQ | LUX | 12/18 | JPY | 5975.00 | 15.9 | 22.2 | -23.3 |
| Japan Strat Value B | JP | EQ | LUX | 12/18 | JPY | 5773.00 | 14.7 | 21.0 | -24.1 |
| Japan Strat Value C | JP | EQ | LUX | 12/18 | JPY | 5876.00 | 15.3 | 21.6 | -23.7 |
| Real Estate Sec. A | OT | EQ | LUX | 12/18 | USD | 14.02 | 31.4 | 36.2 | -14.9 |
| Real Estate Sec. B | OT | EQ | LUX | 12/18 | USD | 12.82 | 30.2 | 34.8 | -15.8 |
| Real Estate Sec. I | OT | EQ | LUX | 12/18 | USD | 15.07 | 32.4 | 37.4 | -14.2 |
| Short Mat Dollar A | US | BD | LUX | 12/18 | USD | 7.25 | 11.1 | 12.2 | -6.0 |
| Short Mat Dollar A2 | US | BD | LUX | 12/18 | USD | 9.76 | 11.4 | 12.2 | -6.0 |
| Short Mat Dollar AT | US | BD | LUX | 12/18 | USD | 7.25 | 11.4 | 12.4 | -6.0 |
| Short Mat Dollar B | US | BD | LUX | 12/18 | USD | 7.25 | 10.7 | 11.7 | -6.4 |
| Short Mat Dollar B2 | US | BD | LUX | 12/18 | USD | 9.71 | 10.8 | 11.7 | -6.4 |
| Short Mat Dollar BT | OT | OT | LUX | 12/18 | USD | 7.27 | 10.3 | 11.1 | -6.7 |
| Short Mat Dollar C | US | BD | LUX | 12/18 | USD | 7.25 | 10.7 | 11.7 | -6.4 |
| Short Mat Dollar C2 | US | BD | LUX | 12/18 | USD | 13.73 | 10.9 | 11.7 | -6.4 |
| Short Mat Dollar I | US | BD | LUX | 12/18 | USD | 7.25 | 11.7 | 12.8 | -5.4 |

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**■ ALEXANDRA INVESTMENT MANAGEMENT**
*Tel: +1 212 301 1800 Fax: +1 212 301 1810*

| FUND NAME | GF | AT | LB | NAV DATE | CR | NAV | —%RETURN— YTD | 12-MO | 2-YR |
|---|---|---|---|---|---|---|---|---|---|
| Alexandra Convertible Bond Fund I, Ltd. (Class A) | OT | OT | VGB | 11/30 | USD | 1616.75 | 66.9 | 72.1 | NS |

**■ CREDIT PACIFIC ASSET MANAGMENT**
*www.creditpacific.com*

| FUND NAME | GF | AT | LB | NAV DATE | CR | NAV | —%RETURN— YTD | 12-MO | 2-YR |
|---|---|---|---|---|---|---|---|---|---|
| CPS-Master Priv Fund | GL | OT | WSM | 12/16 | USD | 121.52 | 21.5 | 21.5 | 9.4 |

PLATINUM CAPITAL MANAGEMENT

**■ PLATINUM CAPITAL MANAGEMENT**
*Tel: +44 207 024 9840, www.platinumfunds.net*

| FUND NAME | GF | AT | LB | NAV DATE | CR | NAV | —%RETURN— YTD | 12-MO | 2-YR |
|---|---|---|---|---|---|---|---|---|---|
| Platinm-All Star | OT | OT | CYM | 10/30 | USD | 95.07 | 13.2 | 5.7 | -13.4 |
| Platinm-All Weather | OT | OT | USA | 10/31 | USD | 129.92 | 2.4 | 3.2 | 3.8 |
| Platinm-Dynasty | OT | OT | USA | 10/30 | USD | 108.45 | 5.5 | 2.5 | -34.0 |
| Platinm-Emancipation | OT | OT | USA | 10/30 | USD | 93.58 | 25.0 | 9.3 | -11.3 |
| Platinm-Equity Plus | OT | OT | USA | 05/29 | USD | 35.02 | -18.2 | -63.7 | -45.6 |
| Platinm-Gbl Dividend | OT | OT | CYM | 10/30 | USD | 60.64 | 29.4 | 15.3 | -31.8 |
| Platinm-Nordic | OT | OT | CYM | 10/30 | SEK | 607.79 | 11.4 | 9.7 | -18.3 |
| Platinm-Premier | OT | OT | CYM | 12/31 | USD | 21.20 | -55.9 | -66.0 | -44.3 |
| Platinm-Turnberry | OT | OT | USA | 10/30 | USD | 56.60 | NS | NS | -38.7 |

SUPERFUND

**■ SUPERFUND ASSET MANAGEMENT GMBH**
*For info about open funds, contact info@superfund.com and www.superfund.com*
**Closed for New Investments*

| FUND NAME | GF | AT | LB | NAV DATE | CR | NAV | —%RETURN— YTD | 12-MO | 2-YR |
|---|---|---|---|---|---|---|---|---|---|
| Superfund Cayman* | OT | OT | CYM | 12/15 | USD | 41.52 | -50.1 | -50.0 | -5.5 |
| Superfund GCT USD* | GL | EQ | LUX | 12/15 | USD | 2219.00 | -39.2 | -39.6 | -3.4 |
| Superfund Green Gold A (SPC) | OT | OT | CYM | 12/15 | USD | 990.66 | -14.8 | -3.5 | 8.5 |
| Superfund Green Gold B (SPC) | OT | OT | CYM | 12/15 | USD | 953.75 | -29.2 | -19.9 | 4.2 |
| Superfund Q-AG* | OT | OT | AUT | 12/15 | EUR | 6582.00 | -24.9 | -24.9 | 1.5 |

**■ WINTON CAPITAL MANAGEMENT LTD**
*Tel: +44 (0)20 7610 5350 Fax: +44 (0)20 7610 5301*

| FUND NAME | GF | AT | LB | NAV DATE | CR | NAV | —%RETURN— YTD | 12-MO | 2-YR |
|---|---|---|---|---|---|---|---|---|---|
| Winton Evolution EUR Cls H | OT | OT | CYM | 11/30 | EUR | 972.73 | NS | NS | NS |
| Winton Evolution GBP Cls G | OT | OT | CYM | 11/30 | GBP | 976.73 | NS | NS | NS |
| Winton Evolution USD Cls F | OT | OT | CYM | 11/30 | USD | 1232.74 | -2.8 | -1.2 | 3.7 |
| Winton Futures EUR Cls C | OT | OT | VGB | 11/30 | EUR | 202.11 | -1.8 | -0.1 | 9.2 |
| Winton Futures GBP Cls D | OT | OT | VGB | 11/30 | GBP | 218.35 | -1.6 | 0.4 | 10.2 |
| Winton Futures JPY Cls E | OT | OT | VGB | 11/30 | JPY | 14398.02 | -2.4 | -0.4 | 6.9 |
| Winton Futures USD Cls B | OT | OT | VGB | 11/30 | USD | 716.94 | -2.2 | -0.2 | 8.9 |

For information about listing your funds, please contact: Carson Wong tel: +852 2831-6481; email: carson.wong@dowjones.com

MARKETS

# Analyst upgrades help U.S. stocks to gains

By Kristina Peterson And Donna Kardos Yesalavich

Merger activity and stock-ratings upgrades from Wall Street analysts helped drive major market indexes higher on Monday.

**ABREAST OF THE MARKET**

Around midday in New York, the Dow Jones Industrial Average was up 117.60 points, or 1.1%, at 10446.49, as all 30 of its components climbed. **Alcoa** surged 8.6% after Morgan Stanley raised its investment rating on the stock. **Intel** gained 3.3% after an upgrade from Barclays.

The Nasdaq Composite Index climbed 1.1% and the Standard & Poor's 500-stock index rose 1.2%.

The Senate voted Monday to advance health-care legislation in an initial procedural vote, beginning a process that puts the bill on track for passage later this week.

Many health-care stocks rose, including health insurer **Cigna**, which was up 6.1%. Pharmaceutical manufacturer **Bristol-Myers Squibb** rose 2.8% and **Express Scripts**, a pharmacy benefit manager, climbed 4.3%.

Also lifting the health-care sector, **Sanofi-Aventis** agreed to buy consumer drug maker **Chattem** for $1.9 billion, a 34% premium to the Tennessee firm's price on Friday.

Also Monday, **Bucyrus International** said it is buying the mining unit of **Terex** for $1.3 billion. Bucyrus shares rose 10%, while Terex climbed 5.2%.

Last week, the Dow recorded its biggest weekly decline since late October. Investors trying to protect their gains as the year winds down have stalled the stock market's rally from its March lows. However, the last two weeks of December have historically been strong for stocks.

**Potash** Corp. of Saskatchewan and **Mosaic** rose 4.1% and 5.4%, respectively, after being upgraded by analysts at Goldman Sachs.

Crude-oil futures were up 64 cents in late-morning trade to $74 a barrel on the New York Mercantile Exchange.

## European markets

Stocks climbed, helped as the cold weather on both sides of the Atlantic drew investors to energy plays.

The Dow Jones Stoxx 600 rose 1.3% to 249.41, led by oil producers including **BP**, as oil traded around $75 a barrel. BP shares rose 2.5% and **Royal Dutch Shell** rose 2.6%.

Stocks extended gains after a strong open in the U.S.

Among major national indexes, the U.K.'s FTSE 100 rose 1.9% to 5293.99, the German DAX added 1.7% to 5950.53 and the French CAC 40 rose 2.1% to 3872.06.

**Spyker Cars** rose 20% after the Dutch sports-car firm made a new offer for Saab. Talks on buying the Swedish manufacturer from General Motors Co. broke down earlier this month.

**Eurotunnel** shook off early losses to rise 3.7%.

# Dollar's climb against euro, yen continues

By Don Curren

TORONTO—The dollar gained against the yen and euro Monday morning in thin trading, once again supported by optimism that the U.S. economy will heal faster than previously anticipated.

**CURRENCY MARKETS**

But currencies were constrained in narrow ranges as the holiday-shortened week began, and with no major U.S. data releases on tap.

Comments from Chicago Federal Reserve President Charles Evans gave the dollar its latest boost, albeit a modest one. Mr. Evans said in an interview with CNBC television that Fed officials will give rate increases closer consideration in three to four meetings.

The dollar reached its highest level against the yen since early November after the remarks. Mr. Evans's comments contrast with those from Bank of Japan Governor Masaaki Shirakawa, who said the bank will keep its "virtually" zero-interest-rate policy.

But analysts cautioned about making too much of Mr. Evans's comments as he also signaled a long period of policy support.

In midday trade, the euro was at $1.4310 from $1.4335 late Friday. The dollar rose to 90.94 yen from 90.34 yen. The U.K. pound declined to $1.6070 from $1.6142, while the dollar slipped to 1.0449 Swiss francs from 1.0453 francs.

# Hong Kong losing streak stretches to its fifth day

By Myra P. Saefong And Shri Navaratnam

Concern over further efforts by China to cool the property market weighed on stocks in Hong Kong, but strength in oil shares offered support for the Japanese market.

**ASIAN-PACIFIC STOCKS**

Hong Kong's Hang Seng Index closed 1.1% lower at 20948.10, marking a fifth straight session of losses. But Japan's Nikkei index of 225 stocks added 0.4% to 10183.47.

Shares in Hong Kong slipped as investors wondered whether the Chinese government will take additional measures to limit property-price gains after announcing a rule last week requiring property developers to make a minimum down payment of 50% on land purchases.

**HSBC Holdings** closed down 1.1%, **China Overseas Land & Investment** fell 1% and **China Construction Bank** ended 1.3% lower in Hong Kong and 0.3% lower in Shanghai. **Hang Lung Properties** fell 3.2% and **Wharf (Holdings)** Ltd. dropped 7.4% in Hong Kong.

Some Chinese property stocks rebounded after hefty declines on Friday. **Poly Real Estate** rose by 1.2% in Shanghai and **China Vanke** gained 1.2% in Shenzhen. China's Shanghai Composite climbed 0.3% to 3122.97, snapping a four-session losing streak.

In Tokyo, resources and shipping stocks led the advance. Buyers also took courage from the yen's weakness against the dollar. **Nippon Oil** rose 2.8% and **Japan Petroleum Exploration** closed up 2.2% following gains in oil prices last week. **Nippon Yusen** K.K. advanced 1.8%.

Elsewhere, Australia's S&P/ASX 200 fell 0.3% to 4635.13 and Singapore's Straits Times Index ended 0.6% lower at 2786.81. India's Sensex lost 0.7% to 16601.20.

"We would expect the remainder of the week to see similar, small moves in Asian markets," said Richard Hastings, a strategist at Global Hunter Securities.

In Australia, the market ended lower after finding earlier support from strength in resource stocks.

**BHP Billiton** closed up 0.9% and **Newcrest Mining** rose 1.8%. **Qantas Airways** climbed 5.1% after issuing positive guidance on its first-half earnings.

Taiwan electronics shares got a boost after a government official said that local chip and liquid-crystal-display firms may be allowed to invest more in China. **AU Optronics** ended 5.7% higher while **Taiwan Semiconductor Manufacturing** Co. rose 0.5%.

South Korean shares finished off the session's lows as solid gains in technology plays and a rebound in brokerage stocks helped, but the Kospi still eased 0.2% to 1644.23 for its fourth consecutive loss. **Hynix Semiconductor** closed up 1.9%, **LG Display** was 2.4% higher and **Hanwha Securities** tacked on 5.7%.

*— Kirsty Green contributed to this article.*


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Allianz Global Investors

■ ALLIANZ GLOBAL INVESTORS KAPITALANLAGEGESELLSCHAFT

| FUND NAME | GF | AT | LB | NAV DATE | CR | NAV | YTD | 12-MO | 2-YR |
|---|---|---|---|---|---|---|---|---|---|
| Concentra AE | EU | EQ | DEU | 12/18 | EUR | 51.68 | 32.9 | 36.6 | -11.4 |
| Industria AE | EU | EQ | DEU | 12/18 | EUR | 70.53 | 34.8 | 34.7 | -17.3 |
| InternRent AE | EU | BD | DEU | 12/18 | EUR | 35.81 | 5.4 | 6.7 | 10.4 |

■ CHARTERED ASSET MANAGEMENT PTE LTD - TEL NO: 65-6835-8866

*Fax No: 65-6835 8865, Website: www.cam.com.sg, Email: cam@cam.com.sg*

| | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|
| CAM-GTF Limited | AS | EQ | MUS | 12/11 | USD | 270451.41 | 100.5 | 120.9 | 1.1 |

GAM

■ GAM FUND MANAGEMENT LIMITED

*George's Court, 54-62 Townsend Street, Dublin 2, Ireland*

*Tel +353 1 609 3927 Fax +353 1 611 7941, Internet: www.gam.com*

| | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|
| GAM Arbitrage Op | OT | OT | VGB | 12/11 | USD | 1247.78 | 23.1 | 20.0 | -8.8 |
| GAM Asia Eq Hdg JPY Op | GL | EQ | VGB | 12/14 | JPY | 15440.89 | 64.7 | 74.0 | 0.5 |
| GAM Asia Equity Hedge US | OT | OT | VGB | 12/14 | USD | 289.30 | 65.8 | 75.6 | 2.2 |
| GAM Asia Equity USD | OT | OT | VGB | 12/18 | USD | 625.08 | 55.7 | 52.4 | -13.0 |
| GAM Asia-Pacific Eq USD | OT | OT | VGB | 12/15 | USD | 1263.12 | 17.6 | 29.1 | -18.9 |
| GAM Com Glb Bal EUR Op | US | BA | VGB | 12/14 | EUR | 93.10 | 14.7 | 17.0 | -9.9 |
| GAM Com Glb Bal USD Op | US | BA | VGB | 12/14 | USD | 127.31 | 14.7 | 17.0 | -9.9 |
| GAM Comp Glb Eq EUR Op | GL | EQ | VGB | 12/14 | EUR | 95.07 | 21.3 | 24.9 | -17.2 |
| GAM Comp Glb Eq USD Op | GL | EQ | VGB | 12/14 | USD | 126.70 | 21.3 | 24.9 | -17.2 |
| GAM Comp Glb Gr EUR Op | US | BA | VGB | 12/14 | EUR | 83.88 | 15.0 | 17.9 | -14.3 |
| GAM Comp Glb Gr USD Op | US | BA | VGB | 12/14 | USD | 126.34 | 15.0 | 17.9 | -14.3 |
| GAM CompAbsRT EUR Op | OT | OT | VGB | 09/30 | EUR | 141.71 | 9.1 | 0.1 | -6.9 |
| GAM CompAbsRT SGD Op | OT | OT | VGB | 09/30 | SGD | 102.21 | 9.2 | -0.1 | -8.3 |
| GAM CompAbsRT USD Op | OT | OT | VGB | 09/30 | USD | 845.66 | 9.5 | 0.7 | -7.0 |
| GAM Cptal Apprec Eq Inc | US | EQ | VGB | 12/11 | USD | 243.63 | 33.8 | 39.8 | -13.6 |
| GAM Cross Trading Inc | OT | OT | VGB | 12/14 | USD | 464.04 | 6.1 | NS | NS |
| GAM Diversity CHF Op | OT | OT | VGB | 12/14 | CHF | 94.54 | 4.5 | 3.8 | -6.9 |
| GAM Diversity EUR Op | OT | OT | VGB | 12/14 | EUR | 649.99 | 5.3 | 4.9 | -5.3 |
| GAM Diversity USD 2.5XL | OT | OT | VGB | 12/14 | USD | 78.80 | 9.2 | 8.2 | NS |
| GAM Diversity USD Op | OT | OT | VGB | 12/14 | USD | 682.53 | 5.3 | NS | NS |
| GAM Dvrsty II CHF Op | OT | OT | VGB | 12/14 | CHF | 99.84 | 4.4 | NS | NS |
| GAM Dvrsty II EUR Op | OT | OT | VGB | 12/14 | EUR | 139.19 | 4.9 | 4.1 | -5.4 |
| GAM Dvrsty II USD Op | OT | OT | VGB | 12/14 | USD | 210.84 | 4.9 | NS | -5.6 |
| GAM DvrstyIII EUR Op | OT | OT | VGB | 12/14 | EUR | 115.92 | 4.9 | 4.1 | -5.5 |
| GAM DvrstyIII USD Op | OT | OT | VGB | 12/14 | USD | 122.37 | 4.9 | 4.1 | -5.6 |
| GAM Euro Eq Hdg EUR Op | EU | EQ | VGB | 12/14 | EUR | 214.90 | 9.0 | 8.6 | -5.9 |
| GAM Euro Eq Hdg USD Op | OT | OT | VGB | 12/14 | USD | 199.89 | 9.7 | 9.8 | -4.3 |
| GAM European Equity USD | OT | OT | VGB | 12/17 | USD | 288.98 | 22.9 | 20.4 | -14.2 |
| GAM GAMCO | OT | EQ | VGB | 12/15 | USD | 806.38 | 39.0 | 46.0 | -11.7 |
| GAM Gb EmMkts Hdg EUROp | OT | OT | VGB | 12/14 | EUR | 98.24 | 13.9 | 13.7 | -17.1 |
| GAM Gb EmMkts Hdg USDOp | OT | OT | VGB | 12/14 | USD | 103.54 | 14.4 | 14.1 | -16.4 |
| GAM Gbl Divers USD Inc. | GL | EQ | VGB | 12/14 | USD | 249.86 | 22.4 | 26.8 | -9.7 |
| GAM Grtr China Eq Hdg Op | GL | EQ | VGB | 12/14 | USD | 288.70 | 102.2 | 109.0 | 21.0 |
| GAM Intrst Trend II | GL | BD | VGB | 12/14 | USD | 93.42 | 41.4 | 35.8 | -8.4 |
| GAM Intrst Trend Inc | OT | OT | VGB | 12/14 | USD | 249.11 | 56.4 | 51.3 | -6.9 |
| GAM Japan Eq Hdg EUR Op | AS | EQ | VGB | 12/14 | EUR | 114.26 | 7.0 | 10.4 | -10.8 |
| GAM Japan Eq Hdg USD Op | OT | OT | VGB | 12/14 | USD | 118.83 | 5.7 | NS | -22.0 |
| GAM Japan Eq Hdg YEN Open | AS | EQ | VGB | 12/14 | JPY | 8176.72 | 6.0 | 13.3 | -21.7 |
| GAM Japan USD | JP | EQ | VGB | 12/18 | USD | 1088.83 | 5.2 | 7.6 | -16.1 |
| GAM Japan YEN | JP | EQ | VGB | 12/18 | JPY | 8602.96 | 7.4 | 11.0 | -23.8 |
| GAM Money Mkt EuroOp | EU | MM | VGB | 12/17 | EUR | 51.20 | 0.1 | 0.2 | 1.7 |
| GAM Money Mkt USD | US | MM | VGB | 12/17 | USD | 99.96 | -0.1 | 0.0 | 0.9 |
| GAM Multi-Arb EUR Op | OT | OT | VGB | 12/14 | EUR | 113.29 | 1.1 | -0.9 | -8.6 |
| GAM Multi-Arb USD Op | OT | OT | VGB | 12/14 | USD | 118.28 | 1.3 | -0.8 | -8.8 |
| GAM Multi-China EUR Op | OT | OT | VGB | 12/14 | EUR | 167.99 | 13.1 | 13.0 | -8.8 |
| GAM Multi-China USD Op | OT | OT | VGB | 12/14 | USD | 176.61 | 13.7 | 13.6 | -9.4 |
| GAM Multi-Emer Mkts GBP | OT | OT | VGB | 12/14 | GBP | 130.34 | 24.6 | 23.9 | -3.0 |
| GAM Multi-Emer Mkts USD | OT | OT | VGB | 12/14 | USD | 645.36 | 24.6 | 23.9 | -3.4 |
| GAM Multi-Eur EUR Op | OT | OT | VGB | 12/14 | EUR | 267.99 | 6.8 | 6.0 | -10.3 |
| GAM Multi-Eur II EUR Op | OT | OT | VGB | 12/14 | EUR | 137.89 | 6.7 | 8.6 | -10.3 |
| GAM Multi-Eur II USD Op | OT | OT | VGB | 12/14 | USD | 112.76 | 6.3 | 8.2 | -11.3 |
| GAM Multi-Eur USD Op | OT | OT | VGB | 12/14 | USD | 466.44 | 6.4 | 5.6 | -11.2 |
| GAM Multi-Nth Am EUR Special | OT | OT | VGB | 12/14 | EUR | 132.77 | 11.4 | 12.3 | NS |
| GAM Multi-Nth Am USD Special | OT | OT | VGB | 12/14 | USD | 216.31 | 11.8 | 13.0 | NS |
| GAM Multi-Pac EUR Op | GL | EQ | VGB | 12/14 | EUR | 142.45 | 4.5 | 4.1 | -4.8 |
| GAM Multi-Pac USD Op | OT | OT | VGB | 12/14 | USD | 164.43 | 4.6 | 4.4 | -5.2 |
| GAM Portable Dvr/S&P500 | OT | OT | VGB | 08/24 | USD | 70.11 | 17.7 | -27.7 | -22.9 |
| GAM Selection Hdg | US | EQ | VGB | 12/11 | USD | 2574.88 | 65.5 | 71.2 | 9.7 |
| GAM Sing/Malaysia | AS | EQ | VGB | 12/18 | USD | 2495.21 | 50.2 | 48.7 | -9.1 |
| GAM Sterling Spe Bd Inc | OT | OT | VGB | 12/14 | GBP | 241.88 | 40.0 | 40.4 | 2.3 |
| GAM Trading EUR Inc | OT | OT | VGB | 12/14 | EUR | 323.84 | 5.9 | 5.4 | 6.8 |
| GAM Trading USD Inc | OT | OT | VGB | 12/14 | USD | 969.19 | 6.1 | 5.7 | 6.3 |
| GAM Trdg II IncEUR Op | OT | OT | VGB | 12/14 | EUR | 138.52 | 5.8 | 5.3 | 6.8 |
| GAM Trdg II IncUSD Op | OT | OT | VGB | 12/14 | USD | 314.69 | 6.1 | 5.7 | 6.3 |
| GAM Trdg IV IncEUR Op | OT | OT | VGB | 12/14 | EUR | 146.18 | 5.6 | 5.0 | 6.5 |
| GAM Trdg IV IncUSD Op | OT | OT | VGB | 12/14 | USD | 153.91 | 5.9 | 5.4 | 6.2 |
| GAM Trdg V IncEUR Op | OT | OT | VGB | 12/14 | EUR | 123.94 | 5.6 | 4.9 | 6.3 |
| GAM Trdg V IncUSD Op | OT | OT | VGB | 12/14 | USD | 129.08 | 5.8 | 5.4 | 6.1 |
| GAM TrdgIII IncEUR Op | OT | OT | VGB | 12/14 | EUR | 156.35 | 5.7 | 5.2 | 6.5 |
| GAM TrdgIII IncUSD Op | OT | OT | VGB | 12/14 | USD | 161.86 | 5.9 | 5.5 | 6.2 |
| GAM USDSpecBondInc | US | BD | VGB | 12/14 | USD | 518.91 | 70.7 | 75.0 | 5.7 |
| GAM Worldwide | GL | EQ | VGB | 12/17 | USD | 2202.72 | 23.0 | 22.1 | -10.3 |
| GAMut Investments | OT | OT | VGB | 12/16 | USD | 7573.04 | 4.3 | 5.1 | 7.7 |

■ GAM Star Fund Plc

| | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|
| GAMStar-AsEqCHF Ord Ac | AS | EQ | IRL | 12/17 | CHF | 10.76 | 52.0 | 50.4 | -16.7 |
| GAMStar-AsEqEUR Ord Ac | AS | EQ | IRL | 12/17 | EUR | 11.46 | 53.3 | 57.5 | -11.8 |
| GAMStar-AsEqGBP Ord Ac | AS | EQ | IRL | 12/17 | GBP | 1.51 | 42.7 | 50.5 | -1.5 |
| GAMStar-AsEqUSD Ord Ac | AS | EQ | IRL | 12/17 | USD | 12.93 | 57.7 | 57.1 | -11.7 |
| GAMStar-AsPacEqEUR Acc | AS | EQ | IRL | 12/17 | EUR | 99.23 | 17.4 | 21.9 | -14.6 |
| GAMStar-AsPacEqEUR Inc | AS | EQ | IRL | 12/17 | EUR | 96.03 | 17.4 | 21.9 | -14.6 |
| GAMStar-ContEurEqEUR Ac | EU | EQ | IRL | 12/17 | EUR | 10.71 | 21.7 | 22.6 | -11.8 |
| GAMStar-EurpEqEUR Acc | EU | EQ | IRL | 12/17 | EUR | 177.40 | 21.1 | 22.3 | -14.5 |
| GAMStar-EurpEqEUR Inc | EU | EQ | IRL | 12/17 | EUR | 162.10 | 21.1 | 22.3 | -14.5 |
| GAMStar-EurpEqUSD Acc | EU | EQ | IRL | 12/17 | USD | 15.52 | 24.4 | 21.8 | -14.3 |
| GAMStar-EurpEqUSD Inc | EU | EQ | IRL | 12/17 | USD | 14.07 | 24.3 | 21.8 | -14.3 |
| GAMStar-FrontierOppUSD Acc | GL | EQ | IRL | 12/17 | USD | 5.65 | 20.0 | 12.0 | NS |
| GAMStar-JpnEq EUR Acc | JP | EQ | IRL | 12/17 | EUR | 87.59 | 7.6 | 11.5 | -13.7 |
| GAMStar-JpnEq EUR Inc | JP | EQ | IRL | 12/17 | EUR | 87.59 | 7.6 | 11.5 | -13.7 |
| GAMStar-JpnEq JPY Acc | JP | EQ | IRL | 12/17 | JPY | 903.48 | 7.8 | 12.3 | -23.5 |
| GAMStar-JpnEq USD Acc | JP | EQ | IRL | 12/17 | USD | 11.08 | 5.3 | 6.6 | -16.1 |
| GAMStar-World EqUSD Acc | GL | EQ | IRL | 12/17 | USD | 2180.81 | 23.9 | 23.1 | -9.8 |

Manulife Wealth Management 宏利財富管理

■ MANULIFE ASSET MANAGEMENT TEL:(852)2108 1110

*Internet:http://www.manulife.com.hk 47/F Manulife Plaza, Causeway Bay, Hong Kong*

| | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|
| American Growth | US | EQ | LUX | 12/18 | USD | 14.78 | 23.2 | 22.3 | -13.3 |
| American Growth AA | US | EQ | LUX | 12/18 | USD | 0.85 | 22.8 | 22.0 | -7.7 |
| Asian Equity | AS | EQ | LUX | 12/18 | USD | 2.36 | 57.7 | 53.9 | -9.0 |
| Asian Equity AA | AS | EQ | LUX | 12/18 | USD | 0.76 | 57.1 | 53.3 | -9.3 |
| Asian Sm Cap Equity AA | AS | EQ | LUX | 12/18 | USD | 1.13 | 87.7 | 89.4 | -4.5 |
| China Value A | AS | EQ | LUX | 12/18 | USD | 6.82 | 57.9 | 54.9 | -6.8 |
| China Value AA | AS | EQ | LUX | 12/18 | USD | 2.14 | 57.5 | 54.5 | -7.0 |
| Dragon Growth | AS | EQ | LUX | 12/18 | USD | 1.57 | 60.3 | 54.3 | -10.2 |
| Dragon Growth AA | OT | OT | LUX | 12/18 | HKD | 7.64 | 60.2 | 54.1 | -11.2 |
| Emg Eastrn Europe A | EU | EQ | LUX | 12/18 | USD | 4.44 | 88.4 | 79.3 | -19.3 |
| Emg Eastrn Europe AA | EU | EQ | LUX | 12/18 | USD | 1.91 | 88.2 | 79.0 | -19.4 |
| European Growth | EU | EQ | LUX | 12/18 | USD | 8.92 | 38.6 | 35.1 | -18.6 |
| European Growth AA | EU | EQ | LUX | 12/18 | USD | 0.64 | 38.3 | 34.8 | -18.7 |
| Global Contrarain AA | GL | EQ | LUX | 12/18 | USD | 0.86 | 77.5 | 77.7 | NS |
| Global Property AA | OT | EQ | LUX | 12/18 | USD | 0.66 | 42.4 | 36.0 | -13.7 |
| Global Resources AA | OT | EQ | LUX | 12/18 | USD | 1.05 | 49.0 | 43.0 | -10.2 |
| Healthcare AA | OT | EQ | LUX | 12/18 | USD | 0.92 | 11.4 | 13.4 | NS |
| India Equity AA | EA | EQ | LUX | 12/18 | USD | 1.06 | 73.9 | 64.2 | -18.1 |
| International Growth | GL | EQ | LUX | 12/18 | USD | 2.97 | 19.3 | 18.0 | -16.0 |
| International Growth AA | GL | EQ | LUX | 12/18 | USD | 0.69 | 19.0 | 17.7 | -16.2 |
| Japanese Growth | JP | EQ | LUX | 12/18 | USD | 2.76 | 6.7 | 7.7 | -12.9 |
| Japanese Growth AA | JP | EQ | LUX | 12/18 | USD | 0.72 | 6.4 | 7.4 | -11.3 |
| Latin America Equity AA | GL | EQ | LUX | 12/18 | USD | 1.24 | 97.8 | 87.0 | -3.6 |
| Manulife GF Strategic Income Fund AA | OT | OT | NA | 12/18 | USD | 1.00 | NS | NS | NS |
| MGF Asia Value Dividend Equity Fund | OT | OT | Lux | 12/18 | USD | 1.10 | NS | NS | NS |
| Russia Equity AA | EE | EQ | LUX | 12/18 | USD | 0.63 | 131.9 | 114.7 | -22.1 |
| Taiwan Equity AA | AS | EQ | LUX | 12/18 | USD | 1.02 | 74.5 | 68.3 | 2.7 |
| Turkey Equity AA | EE | EQ | LUX | 12/18 | USD | 0.72 | 95.0 | 90.4 | -14.8 |
| U.S. Bond AA | US | BD | LUX | 12/18 | USD | 1.11 | 18.5 | 19.6 | 8.0 |
| U.S. High Yield Bond AA | US | BD | LUX | 12/18 | USD | 0.80 | 79.3 | 88.6 | -0.5 |
| U.S. Sm Cap Equity AA | US | EQ | LUX | 12/18 | USD | 0.79 | 64.8 | 60.7 | -13.0 |
| U.S. Tsy Inf-ProtSec AA | OT | BD | LUX | 12/18 | USD | 1.15 | 8.7 | 7.5 | 3.9 |

■ PT CIPTADANA ASSET MANAGEMENT

*Tel: +62 21 25574 883 Fax: +62 21 25574 893 Website: www.ciptadana.com*

| | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|
| Indonesian Grth Fund | EA | EQ | CYM | 12/16 | USD | 126.99 | 120.1 | 114.6 | -4.7 |

Sensible Asset Management
*A Value Partners Group company*

■ SENSIBLE ASSET MANAGEMENT LIMITED

*www.samfund.com.hk Tel: (852) 2868 6848 Fax: (852) 2810 9948*

| | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|
| Asia Value Formula Fd-B | AS | EQ | CYM | 12/18 | USD | 7.78 | 81.4 | 72.5 | -6.6 |

SOCIETE GENERALE Asset Management

■ SG ASSET MANAGEMENT HTTP://WWW.SGAM.COM

| | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|
| Eq. Concentrated Euroland A | OT | OT | LUX | 12/17 | EUR | 92.13 | 21.0 | 20.5 | -19.4 |
| Eq. Euroland Small Cap A | OT | OT | LUX | 12/17 | EUR | 138.83 | 40.1 | 44.4 | -13.6 |
| Eq. Global Resources A | OT | OT | LUX | 12/17 | USD | 105.50 | 50.5 | 49.7 | -10.3 |
| Eq. India A | OT | OT | LUX | 12/18 | USD | 125.49 | 72.7 | 63.2 | -18.2 |
| Eq. Japan CoreAlpha A | OT | OT | LUX | 12/18 | JPY | 7186.70 | 22.1 | 29.1 | -13.1 |
| Eq. Latin America A | OT | OT | LUX | 12/17 | USD | 111.70 | 79.4 | 71.7 | -11.9 |

■ SGAM Fund

| | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|
| Bonds Eur Hi Yld A | EU | BD | LUX | 12/17 | EUR | 20.48 | 54.1 | 57.0 | -1.7 |
| Bonds EURO A | EU | BD | LUX | 12/17 | EUR | 41.48 | 5.0 | 5.6 | 6.0 |
| Bonds EUROPE A | EU | BD | LUX | 12/17 | EUR | 39.40 | 4.0 | 4.3 | 5.3 |
| Bonds US OppsCoreplus A | US | BD | LUX | 12/17 | USD | 37.25 | 18.1 | 19.5 | 9.3 |
| Bonds World A | GL | BD | LUX | 12/17 | USD | 42.69 | 7.2 | 4.8 | 8.1 |
| Eq. China A | AS | EQ | LUX | 12/18 | USD | 23.22 | 55.4 | 46.7 | -13.4 |
| Eq. ConcentratedEuropeA | EU | EQ | LUX | 12/17 | EUR | 26.36 | 28.0 | 27.5 | -18.8 |
| Eq. Euroland A | EU | EQ | LUX | 12/17 | EUR | 10.59 | 15.6 | 16.5 | -21.5 |
| Eq. EurolandCyclclsA | EU | EQ | LUX | 12/17 | EUR | 17.40 | 26.7 | 28.2 | -16.9 |
| Eq. EurolandFinancialA | OT | EQ | LUX | 12/17 | EUR | 11.14 | 32.2 | 33.3 | -22.8 |
| Eq. Glbl Emg Cty A | GL | EQ | LUX | 12/17 | USD | 9.30 | 55.5 | 51.2 | -16.3 |
| Eq. Global A | GL | EQ | LUX | 12/17 | USD | 27.29 | 29.7 | 30.1 | -15.4 |
| Eq. Global Energy A | OT | EQ | LUX | 12/17 | USD | 17.61 | 23.5 | 18.2 | -14.7 |
| Eq. Gold Mines A | OT | EQ | LUX | 12/17 | USD | 29.67 | 41.9 | 48.2 | 2.3 |
| Eq. US Lg Cap Gr A | US | EQ | LUX | 12/17 | USD | 14.96 | 38.8 | 37.6 | -12.4 |
| Eq. US Rel Val A | US | EQ | LUX | 12/17 | USD | 20.18 | 29.9 | 29.9 | -16.2 |
| Eq. US Sm Cap Val A | US | EQ | LUX | 12/17 | USD | 15.43 | 19.3 | 22.0 | -20.3 |
| Money Market EURO A | EU | MM | LUX | 12/17 | EUR | 27.39 | 1.0 | 1.1 | 2.7 |
| Money Market USD A | US | MM | LUX | 12/17 | USD | 15.83 | 0.5 | 0.6 | 1.8 |

The National Investor

■ THE NATIONAL INVESTOR

*TNI Tower | Zayed 1st Street Khalidia| Web:www.tni.ae*

| | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|
| TNI Mena Real Estate Fund | OT | OT | BMU | 12/10 | USD | 929.00 | -1.2 | -7.1 | -28.2 |
| TNI MENA Special Sits Fund | OT | OT | BMU | 11/30 | USD | 1070.31 | 10.2 | 10.3 | NS |
| TNI UAE Blue Chip Fund | OT | OT | ARE | 12/10 | AED | 4.67 | 1.8 | -10.5 | -35.1 |

Value Partners
*Investing through discipline*

■ WEBSITE: WWW.VALUEPARTNERS.COM.HK, TEL: (852) 2880 9263, FAX: (852) 2564 8487

**formerly known as China ABH Shares Fund*

| | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|
| Intel-Chin MainInd Foc | AS | EQ | CYM | 12/15 | USD | 29.84 | 86.0 | 90.8 | 0.9 |
| Intel-China Converg* | AS | EQ | CYM | 12/15 | USD | 114.29 | 87.6 | 93.1 | -0.6 |
| VP Classic - A | AS | EQ | CYM | 12/18 | USD | 179.75 | 76.3 | 77.4 | -4.7 |
| VP CLassic - B | AS | EQ | CYM | 12/18 | USD | 83.79 | 75.5 | 76.5 | -5.2 |
| VP High Dividend Stk | AS | EQ | CYM | 12/14 | USD | 45.84 | 84.5 | 91.5 | -1.1 |

yuki
Yuki Management & Research
Tel +81-3-5298-3277 www.yukijapan.co.jp

■ YUKI INTERNATIONAL LIMITED

*Tel +44-207-269 0203 www.yukifunds.com*

■ YMR-N Series

| | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|
| YMR-N Growth Fund | OT | OT | IRL | 12/18 | JPY | 9185.00 | 6.8 | 8.4 | -26.0 |
| YMR-N Small Cap Fund | OT | OT | IRL | 12/18 | JPY | 6897.00 | 7.5 | 10.7 | -25.8 |

■ Yuki 77 Series

| | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|
| Yuki 77 General | JP | EQ | IRL | 12/18 | JPY | 6014.00 | 1.9 | 3.9 | -27.4 |
| Yuki 77 Growth | JP | EQ | IRL | 12/18 | JPY | 5553.00 | -6.1 | -5.5 | -32.8 |

■ Yuki Chugoku Series

| | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|
| Yuki Chugoku Jpn Gen | JP | EQ | IRL | 12/18 | JPY | 6643.00 | 6.5 | 8.8 | -24.2 |
| Yuki Chugoku JpnLowP | JP | EQ | IRL | 12/18 | JPY | 7424.00 | -9.4 | -7.3 | -24.2 |

■ Yuki Hokuyo Japan Series

| | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|
| Yuki Hokuyo Jpn Gen | JP | EQ | IRL | 12/18 | JPY | 4558.00 | 0.2 | 1.8 | -27.5 |
| Yuki Hokuyo Jpn Inc | JP | EQ | IRL | 12/18 | JPY | 5176.00 | -2.0 | -0.8 | -21.1 |
| Yuki Hokuyo Jpn Sm Cap | JP | EQ | IRL | 12/18 | JPY | 5019.00 | 6.7 | 9.3 | -24.2 |

■ Yuki Mizuho Series

| | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|
| Yuki Mizuho Gen Jpn III | OT | OT | IRL | 12/18 | JPY | 4296.00 | 1.1 | 2.7 | -31.4 |
| Yuki Mizuho Jpn Dyn Gro | OT | OT | IRL | 12/18 | JPY | 4541.00 | 1.1 | 2.2 | -31.3 |
| Yuki Mizuho Jpn Exc 100 | OT | OT | IRL | 12/18 | JPY | 6757.00 | 10.8 | 12.4 | -26.0 |
| Yuki Mizuho Jpn Gen | OT | OT | IRL | 12/18 | JPY | 8381.00 | 4.5 | 6.6 | -25.5 |
| Yuki Mizuho Jpn Gro | OT | OT | IRL | 12/18 | JPY | 6238.00 | -0.2 | 1.4 | -28.8 |
| Yuki Mizuho Jpn Inc | OT | OT | IRL | 12/18 | JPY | 7522.00 | -5.4 | -3.7 | -23.9 |
| Yuki Mizuho Jpn Lg Cap | OT | OT | IRL | 12/18 | JPY | 5045.00 | 1.2 | 2.7 | -26.5 |
| Yuki Mizuho Jpn LowP | OT | OT | IRL | 12/18 | JPY | 11196.00 | -1.2 | 1.9 | -21.4 |
| Yuki Mizuho Jpn PGth | OT | OT | IRL | 12/18 | JPY | 7803.00 | 2.1 | 3.0 | -30.9 |
| Yuki Mizuho Jpn SmCp | OT | OT | IRL | 12/18 | JPY | 7045.00 | 14.9 | 17.7 | -25.9 |
| Yuki Mizuho Jpn Val Sel | OT | OT | IRL | 12/18 | JPY | 5497.00 | 5.9 | 6.9 | -23.4 |
| Yuki Mizuho Jpn YoungCo | OT | OT | IRL | 12/18 | JPY | 2681.00 | 12.3 | 11.3 | -31.7 |

■ Yuki Shizuoka Japan Series

| | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|
| Yuki Shizuoka General Japan | JP | EQ | IRL | 12/18 | JPY | 5280.00 | 3.5 | 5.7 | -25.7 |

For information about listing your funds, please contact: Carson Wong tel: +852 2831-6481; email: carson.wong@dowjones.com

# BLUE CHIPS & BONDS

# Major players & benchmarks

At right, a look at the Asia Titans, the biggest and best known companies in Asia. Below, some of the Dow Jones Titans indexes of biggest and most liquid stocks in individual countries and regions

## Giants around the world

In U.S.-dollar terms.

### Dow Jones Country Titans

| | INDEX PERFORMANCE | | |
|---|---|---|---|
| | Previous session | Year-to-date | 52-week |
| Russia | 0.96% | **103.3%** | 98.7% |
| Brazil | 1.62 | **100.8** | 98.5 |
| Turkey | 1.46 | **84.9** | 88.8 |
| China 88 | -0.15 | **75.0** | 59.0 |
| Singapore | -0.48 | **59.6** | 61.0 |
| South Korea | -0.27 | **48.6** | 40.2 |
| Sweden | 1.18 | **48.0** | 50.1 |
| Hong Kong | -1.11 | **42.0** | 38.1 |
| Netherlands | 1.36 | **38.8** | 40.7 |
| Canada | 0.90 | **26.9** | 37.8 |
| Switzerland | 0.84 | **24.3** | 28.0 |
| Australia | -0.52 | **23.1** | 28.2 |
| South Africa | -0.08 | **21.1** | 25.0 |
| France | 1.84 | **20.7** | 23.2 |
| Italy | 1.17 | **19.8** | 21.1 |
| U.K. | 1.88 | **19.1** | 24.8 |
| Germany | 1.38 | **17.1** | 21.4 |
| Spain | 1.22 | **15.9** | 17.2 |
| Japan | -0.24 | **5.3** | 6.4 |

### Dow Jones Regional Sector Titans

| | | | |
|---|---|---|---|
| Basic Res | 1.15% | **76.8%** | 84.7% |
| Technology | 0.84 | **52.4** | 54.1 |
| Tiger 50* | -0.87 | **50.3** | 48.4 |
| Nordic 30 -p | -0.42 | **34.4** | 33.5 |
| EU Enlarged†-p | -0.35 | **29.4** | 28.3 |
| Asian 50 | -0.78 | **26.6** | 27.2 |
| Stoxx 50 -p | -0.21 | **20.1** | 21.9 |
| Global 50 | 0.28 | **18.6** | 21.6 |
| Euro Stoxx 50 -p | -0.71 | **17.3** | 17.5 |
| Arab 50 | -0.57 | **5.1** | 3.3 |

*Asia excluding Japan †15 companies from the new EU countries; Cyprus, CzechRepublic, Estonia, Hungary, Latvia, Lithuania, Malta, Poland, Slovakia and Slovenia.

Source: Dow Jones Indexes

## Dow Jones Asia Titans: Monday's best and worst...

| Company | Country | Industry | Market value, in billions of US$ | Previous close, in local currency | STOCK PERFORMANCE Previous session | 52-week | Three-year |
|---|---|---|---|---|---|---|---|
| **Mitsubishi UFJ Finl Grp** | Japan | Banks | $60.2 | 473.00 | **2.38%** | -17.9% | -68.0% |
| **Sony** | Japan | Consumer Electronics | 28.3 | 2,580 | **1.18** | 39.5 | -48.8 |
| **BHP Billiton** | Australia | General Mining | 121.4 | 40.95 | **0.86** | 38.2 | 63.5 |
| **KDDI** | Japan | Mobile Telecommunications | 23.2 | 477,000 | **0.85** | -22.4 | -40.7 |
| **Seven I Hldgs** | Japan | Broadline Retailers | 18.3 | 1,842 | **0.60** | -35.3 | -50.1 |
| **China Life Ins** | Hong Kong | Life Insurance | $34.8 | 36.30 | **-3.97%** | 54.5 | 49.1 |
| **Mizuho Financial Grp** | Japan | Banks | 27.1 | 175.00 | **-2.23** | -35.2 | -79.2 |
| **East Japan Railway** | Japan | Travel Tourism | 26.0 | 5,970 | **-2.13** | -12.7 | -24.7 |
| **JFE Hldgs** | Japan | Iron Steel | 20.1 | 3,450 | **-1.99** | 34.8 | -42.7 |
| **Aus NZ Bk** | Australia | Banks | 46.4 | 20.95 | **-1.83** | 41.0 | -26.4 |

## ...And the rest of Asia's blue chips

| Company/Country (Industry) | Market value, in billions (U.S) | Latest, in local currency | STOCK PERFORMANCE Latest | 52-week | Three-year |
|---|---|---|---|---|---|
| **Taiwan Smcndtr Mfg** Taiwan (Semiconductors) | 49.7 | 62.20 | **0.48%** | 40.2% | -3.0% |
| **Hutchison Whampoa** Hong Kong (Diversified Industrials) | 27.7 | 50.30 | **0.30** | 28.6 | -35.4 |
| **Nintendo** Japan (Toys) | 30.1 | 21,400 | **0.05** | -38.8 | -28.9 |
| **National Australia Bk** Australia (Banks) | 48.1 | 26.00 | **0.04** | 32.6 | -35.9 |
| **Westfield Grp** Australia (Retail REITs) | 24.1 | 11.81 | **...** | -7.0 | -40.6 |
| **Mitsui** Japan (Industrial Suppliers) | 24.8 | 1,246 | **...** | 51.2 | -28.2 |
| **Shin-Etsu Chml** Japan (Specialty Chemicals) | 23.5 | 5,030 | **...** | 30.7 | -36.3 |
| **Sumitomo Mitsui Finl** Japan (Banks) | 31.5 | 2,840 | **...** | -28.6 | -76.5 |
| **QBE Ins Grp** Australia (Reinsurance) | 22.2 | 24.56 | **-0.08** | -3.2 | -14.3 |
| **Nissan Motor** Japan (Automobiles) | 32.5 | 725.00 | **-0.14** | 138.5 | -48.7 |
| **Mitsubishi** Japan (Industrial Suppliers) | 38.6 | 2,135 | **-0.23** | 82.2 | -2.7 |
| **Samsung Elec** South Korea (Semiconductors) | 95.8 | 771,000 | **-0.26** | 58.6 | 26.4 |
| **Panasonic** Japan (Consumer Electronics) | 29.2 | 1,281 | **-0.31** | 20.3 | -45.7 |
| **Hon Hai Precision Ind** Taiwan (Electrical Components Equipment) | 36.5 | 138.50 | **-0.36** | 148.9 | -4.0 |
| **Canon** Japan (Electronic Office Equipment) | 50.5 | 3,720 | **-0.53** | 32.2 | -45.0 |
| **Takeda Pharm** Japan (Pharmaceuticals) | 32.6 | 3,750 | **-0.53** | -17.4 | -53.6 |
| **Toyota Motor** Japan (Automobiles) | 129.0 | 3,720 | **-0.53** | 28.5 | -52.1 |
| **NTT DoCoMo** Japan (Mobile Telecommunications) | 59.6 | 129,700 | **-0.54** | -24.8 | -29.9 |
| **Westpac Bking** Australia (Banks) | 60.0 | 23.35 | **-0.60** | 39.2 | -3.6 |
| **RioZim Ltd** Australia (General Mining) | 37.8 | 70.57 | **-0.73** | 139.1 | 22.5 |

| Company/Country (Industry) | Market value, in billions (U.S) | Latest, in local currency | STOCK PERFORMANCE Latest | 52-week | Three-year |
|---|---|---|---|---|---|
| **Nippon T&T** Japan (Fixed Line Telecommunications) | 53.2 | 3,650 | **-0.82%** | -27.3% | -37.3% |
| **CNOOC** Hong Kong (Exploration Production) | 67.6 | 11.74 | **-0.84** | 67.7 | 69.9 |
| **Tokyo Elec Power** Japan (Conventional Electricity) | 34.7 | 2,335 | **-0.85** | -20.2 | -40.1 |
| **POSCO** South Korea (Iron Steel) | 37.5 | 586,000 | **-0.85** | 49.5 | 90.3 |
| **Japan Tobacco** Japan (Tobacco) | 30.9 | 292,600 | **-0.98** | 0.1 | -48.6 |
| **Woodside Petroleum** Australia (Exploration Production) | 29.9 | 47.15 | **-0.99** | 44.0 | 24.9 |
| **KB Fncl Group** South Korea (Banks) | 18.9 | 58,400 | **-1.02** | 64.3 | -19.3 |
| **Cheung Kong (Hldgs)** Hong Kong (Real Estate Holding Development) | 28.4 | 95.00 | **-1.09** | 23.3 | 2.0 |
| **Kansai Elec Power** Japan (Conventional Electricity) | 22.2 | 2,110 | **-1.17** | -19.2 | -34.7 |
| **Tokio Marine** Japan (Property Casualty Insurance) | 22.1 | 2,545 | **-1.17** | -0.6 | -40.1 |
| **Shinhan Financial Grp** South Korea (Banks) | 17.7 | 44,200 | **-1.23** | 45.4 | -4.8 |
| **China Constr Bk** Hong Kong (Banks) | 182.0 | 6.28 | **-1.26** | 37.1 | 35.9 |
| **PetroChina** Hong Kong (Integrated Oil Gas) | 24.7 | 9.07 | **-1.31** | 33.2 | -12.6 |
| **Honda Motor** Japan (Automobiles) | 60.8 | 3,020 | **-1.31** | 58.5 | -34.4 |
| **Commonwealth Bk of Australia** Australia (Banks) | 70.0 | 52.15 | **-1.34** | 92.7 | 7.0 |
| **Indl Comm Bk China** Hong Kong (Banks) | 65.4 | 6.11 | **-1.45** | 42.1 | 38.9 |
| **Sun Hung Kai Prop** Hong Kong (Real Estate Holding Development) | 37.0 | 112.00 | **-1.50** | 69.7 | 28.5 |
| **Woolworths** Australia (Food Retailers Wholesalers) | 29.0 | 26.69 | **-1.59** | 2.3 | 12.9 |
| **Nippon Steel** Japan (Iron Steel) | 24.6 | 355.00 | **-1.66** | 18.3 | -41.9 |
| **China Mobile (HK)** Hong Kong (Mobile Telecommunications) | 179.6 | 70.05 | **-1.75** | -9.0 | 9.5 |

Sources: Dow Jones Indexes; WSJ Market Data Group

# Tracking credit markets & dealmakers

**— NOTICE TO READERS —**
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## Hedge funds

| Dow Jones Hedge Benchmark | TOTAL RETURN for rolling periods, net of fees* One week | One month | One quarter | Year to date | One year |
|---|---|---|---|---|---|
| **Merger Arbitrage** | -0.18% | 0.34% | 1.1% | 7.5% | 7.3% |
| **Event Driven** | 0.16 | 1.24 | 3.5 | 15.1 | 15.5 |
| **Equity Long/Short** | 0.23 | 0.05 | -1.2 | 3.4 | -2.4 |

*Estimates as of 12/17/09, after fees; Source: www.djhedgefundindexes.com

## Credit derivatives

Spreads on credit derivatives are one way the market rates creditworthiness. Regions that are treading in rough waters can see spreads swing toward the maximum—and vice versa. Indexes below are for five-year swaps.

### Markit iTraxx Indexes

| Index: series/version | Mid-spread, in pct. pts. | Mid-price | Coupon | SPREAD RANGE, in pct. pts. since most recent roll Maximum | Minimum | Average |
|---|---|---|---|---|---|---|
| **Europe:** 12/1 | 0.80 | 100.94% | 0.01% | 1.00 | 0.78 | 0.85 |
| **Eur. High Volatility:** 12/1 | 1.17 | 99.23 | 0.01 | 1.76 | 1.17 | 1.40 |
| **Europe Crossover:** 12/1 | 4.74 | 101.03 | 0.05 | 6.15 | 4.71 | 5.26 |
| **Asia ex-Japan IG:** 12/1 | 1.01 | 99.96 | 0.01 | 1.29 | 0.96 | 1.09 |
| **Japan:** 12/1 | 1.40 | 98.10 | 0.01 | 1.68 | 0.99 | 1.33 |

Note: Data as of December 18

### Spreads

Spreads on five-year swaps for corporate debt; based on Markit iTraxx indexes.

Source: Markit Group

## Credit-default swaps: Asian companies

At its most basic, the pricing of credit-default swaps measures how much a buyer has to pay to purchase-and how much a seller demands to sell-protection from default on an issuer's debt. The snapshot below gives a sense which way the market was moving yesterday.

### Showing the biggest improvement...

| | Yesterday | CHANGE, in basis points Yesterday | Five-day | 28-day |
|---|---|---|---|---|
| **Obayashi** | 209 | **-7** | -20 | 16 |
| **All Nippon Awys** | 331 | **-4** | -6 | 3 |
| **Sompo Japan Ins** | 124 | **-3** | -7 | 12 |
| **JFE Hldgs** | 62 | **-3** | -2 | 3 |
| **Sun Hung Kai Pptys** | 74 | **-3** | -7 | -12 |
| **Itochu** | 156 | **-3** | -2 | 14 |
| **Nippon Yusen Kabushiki Kaisha** | 132 | **-2** | 1 | 28 |
| **Mitsui Fudosan** | 85 | **-2** | -4 | 2 |
| **JFE Stl** | 59 | **-2** | -2 | 4 |
| **Mitsui Co** | 77 | **-2** | -1 | 10 |

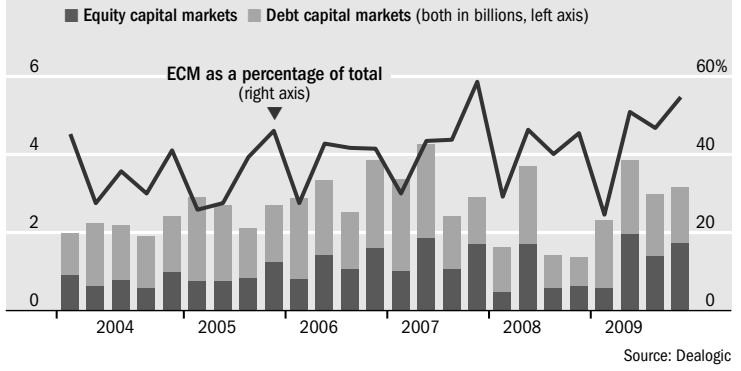
### And the most deterioration

| | Yesterday | CHANGE, in basis points Yesterday | Five-day | 28-day |
|---|---|---|---|---|
| **MISC** | 91 | **3** | -4 | -7 |
| **Rep Philippines** | 169 | **3** | -4 | -9 |
| **Matsui Secs** | 278 | **4** | -2 | 11 |
| **Nec Electrs** | 248 | **4** | -12 | -8 |
| **Shimizu** | 185 | **4** | -14 | 35 |
| **Petroliam Nasional BHD Petronas** | 81 | **5** | ... | -5 |
| **Nomura Hldgs** | 213 | **5** | 1 | 39 |
| **Korea Elec Pwr** | 74 | **6** | -2 | -3 |
| **IHI** | 337 | **6** | ... | 70 |
| **Kajima** | 346 | **7** | 2 | 57 |

Source: Markit Group

## Europe: Bank revenues from equity capital markets

Behind every IPO, follow-on or convertible equity offering is one or more investment banks. At right, investment banks historical and year-to-date revenues from global equity-capital-market (ECM) deals




Source: Dealogic

# GLOBAL MARKETS LINEUP

## Commodities

Prices of futures contracts with the most open interest

**EXCHANGE LEGEND: CBOT:** Chicago Board of Trade; **CME:** Chicago Mercantile Exchange; **NYBOT:** New York Board of Trade; **MDEX:** Bursa Malaysia Derivatives Berhad; **LIFFE:** London International Financial Futures Exchange; **LME:** London Mercantile Exchange; **NYMEX:** New York Mercantile Exchange; **ICE:** IntercontinentalExchange

| Commodity | Exchange | Last price | ONE-DAY CHANGE Net | ONE-DAY CHANGE Percentage | Contract high | Contract low |
|---|---|---|---|---|---|---|
| **Corn** (cents/bu.) | CBOT | **405.50** | 7.75 | **1.95%** | 712.25 | 315.50 |
| **Soybeans** (cents/bu.) | CBOT | **1025.50** | 5.50 | **0.54** | 1,560.00 | 805.00 |
| **Wheat** (cents/bu.) | CBOT | **529.25** | 1.25 | **0.24** | 1,029.25 | 459.00 |
| **Live cattle** (cents/lb.) | CME | **85.325** | 0.475 | **0.56** | 108.600 | 81.900 |
| **Cocoa** ($/ton) | ICE-US | **3,262** | 11 | **0.34** | 3,510 | 1,994 |
| **Coffee** (cents/lb.) | ICE-US | **146.20** | 0.95 | **0.65** | 188.65 | 115.00 |
| **Sugar** (cents/lb.) | ICE-US | **26.19** | -0.15 | **-0.57%** | 26.94 | 11.91 |
| **Cotton** (cents/lb.) | ICE-US | **75.55** | 0.27 | **0.36** | 84.00 | 49.67 |
| **Crude palm oil** (ringgit/ton) | MDEX | **2,547.00** | -57 | **-2.19** | 2,620 | 2,013 |
| **Cocoa** (pounds/ton) | LIFFE | **2,216** | -1 | **-0.05** | 2,337 | 1,310 |
| **Robusta coffee** ($/ton) | LIFFE | **1,359** | -5 | **-0.37** | 1,710 | 1,311 |
| **Copper** (cents/lb.) | COMEX | **316.50** | 2.65 | **0.84** | 365.00 | 135.50 |
| **Gold** ($/troy oz.) | COMEX | **1104.20** | -6.60 | **-0.59** | 1,227.50 | 762.30 |
| **Silver** (cents/troy oz.) | COMEX | **1715.00** | -15.50 | **-0.90** | 2,011.50 | 1,045.00 |
| **Aluminum** ($/ton) | LME | **2,268.00** | 17.50 | **0.78** | 2,283.00 | 1,288.00 |
| **Tin** ($/ton) | LME | **15,945.00** | 20.00 | **0.13** | 15,945.00 | 9,750.00 |
| **Copper** ($/ton) | LME | **6,900.00** | 10.00 | **0.15** | 7,100.00 | 2,815.00 |
| **Lead** ($/ton) | LME | **2,345.00** | -3.00 | **-0.13** | 2,487.00 | 870.00 |
| **Zinc** ($/ton) | LME | **2,439.00** | 2.00 | **0.08** | 2,439.00 | 1,086.00 |
| **Nickel** ($/ton) | LME | **17,620** | 470 | **2.74** | 21,150 | 9,475 |
| **Crude oil** ($/bbl.) | NYMEX | **74.00** | 0.64 | **0.87** | 117.00 | 47.60 |
| **Heating oil** ($/gal.) | NYMEX | **1.9955** | 0.0202 | **1.02** | 3.5570 | 1.3816 |
| **RBOB gasoline** ($/gal.) | NYMEX | **1.9346** | 0.0176 | **0.92** | 2.1342 | 1.2304 |
| **Natural gas** ($/mmBtu) | NYMEX | **5.720** | -0.085 | **-1.46** | 12.590 | 4.550 |
| **Brent crude** ($/bbl.) | ICE-EU | **74.36** | 0.61 | **0.83** | 145.00 | 50.00 |
| **Gas oil** ($/ton) | ICE-EU | **605.25** | 10.00 | **1.68** | 790.00 | 443.50 |

Source: Thomson Reuters; WSJ Market Data Group

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## Currencies

London close on Dec. 21

| AMERICAS | Per euro | In euros | Per U.S. dollar | In U.S. dollars |
|---|---|---|---|---|
| **Argentina** peso-a | 5.4576 | 0.1832 | 3.8125 | 0.2623 |
| **Brazil** real | 2.5456 | 0.3928 | 1.7783 | 0.5624 |
| **Canada** dollar | 1.5150 | 0.6601 | 1.0584 | 0.9449 |
| 1-mo. forward | 1.5150 | 0.6601 | 1.0584 | 0.9449 |
| 3-mos. forward | 1.5150 | 0.6600 | 1.0584 | 0.9449 |
| 6-mos. forward | 1.5153 | 0.6599 | 1.0585 | 0.9447 |
| **Chile** peso | 722.41 | 0.001384 | 504.65 | 0.001982 |
| **Colombia** peso | 2909.88 | 0.0003437 | 2032.75 | 0.0004920 |
| **Ecuador** US dollar-f | 1.4315 | 0.6986 | 1 | 1 |
| **Mexico** peso-a | 18.3586 | 0.0545 | 12.8248 | 0.0780 |
| **Peru** sol | 4.1292 | 0.2422 | 2.8845 | 0.3467 |
| **Uruguay** peso-e | 27.986 | 0.0357 | 19.550 | 0.0512 |
| **U.S.** dollar | 1.4315 | 0.6986 | 1 | 1 |
| **Venezuela** bolivar | 3.07 | 0.325324 | 2.15 | 0.465701 |
| **ASIA-PACIFIC** | | | | |
| **Australia** dollar | 1.6199 | 0.6173 | 1.1316 | 0.8837 |
| **China** yuan | 9.7751 | 0.1023 | 6.8286 | 0.1464 |
| **Hong Kong** dollar | 11.1020 | 0.0901 | 7.7555 | 0.1289 |
| **India** rupee | 66.9942 | 0.0149 | 46.8000 | 0.0214 |
| **Indonesia** rupiah | 13585 | 0.0000736 | 9490 | 0.0001054 |
| **Japan** yen | 130.15 | 0.007683 | 90.92 | 0.010999 |
| 1-mo. forward | 130.12 | 0.007685 | 90.90 | 0.011001 |
| 3-mos. forward | 130.08 | 0.007688 | 90.87 | 0.011005 |
| 6-mos. forward | 129.96 | 0.007694 | 90.79 | 0.011015 |
| **Malaysia** ringgit-c | 4.9172 | 0.2034 | 3.4350 | 0.2911 |
| **New Zealand** dollar | 2.0208 | 0.4949 | 1.4116 | 0.7084 |
| **Pakistan** rupee | 120.675 | 0.0083 | 84.300 | 0.0119 |
| **Philippines** peso | 66.744 | 0.0150 | 46.625 | 0.0214 |
| **Singapore** dollar | 2.0117 | 0.4971 | 1.4053 | 0.7116 |
| **South Korea** won | 1697.26 | 0.0005892 | 1185.65 | 0.0008434 |
| **Taiwan** dollar | 46.349 | 0.02158 | 32.378 | 0.03089 |
| **Thailand** baht | 47.583 | 0.02102 | 33.240 | 0.03008 |

| EUROPE | Per euro | In euros | Per U.S. dollar | In U.S. dollars |
|---|---|---|---|---|
| **Euro zone** euro | 1 | 1 | 0.6986 | 1.4315 |
| 1-mo. forward | 1.0000 | 1.0000 | 0.6986 | 1.4314 |
| 3-mos. forward | 1.0002 | 0.9998 | 0.6987 | 1.4312 |
| 6-mos. forward | 1.0006 | 0.9994 | 0.6990 | 1.4307 |
| **Czech Rep.** koruna-b | 26.315 | 0.0380 | 18.383 | 0.0544 |
| **Denmark** krone | 7.4414 | 0.1344 | 5.1983 | 0.1924 |
| **Hungary** forint | 274.64 | 0.003641 | 191.86 | 0.005212 |
| **Norway** krone | 8.3766 | 0.1194 | 5.8516 | 0.1709 |
| **Poland** zloty | 4.1916 | 0.2386 | 2.9281 | 0.3415 |
| **Russia** ruble-d | 43.671 | 0.02290 | 30.508 | 0.03278 |
| **Sweden** krona | 10.4103 | 0.0961 | 7.2723 | 0.1375 |
| **Switzerland** franc | 1.4946 | 0.6691 | 1.0441 | 0.9578 |
| 1-mo. forward | 1.4942 | 0.6693 | 1.0438 | 0.9580 |
| 3-mos. forward | 1.4936 | 0.6695 | 1.0434 | 0.9584 |
| 6-mos. forward | 1.4923 | 0.6701 | 1.0425 | 0.9593 |
| **Turkey** lira | 2.1824 | 0.4582 | 1.5246 | 0.6559 |
| **U.K.** pound | 0.8907 | 1.1227 | 0.6222 | 1.6071 |
| 1-mo. forward | 0.8909 | 1.1225 | 0.6223 | 1.6068 |
| 3-mos. forward | 0.8912 | 1.1221 | 0.6226 | 1.6062 |
| 6-mos. forward | 0.8917 | 1.1215 | 0.6229 | 1.6054 |
| **MIDDLE EAST/AFRICA** | | | | |
| **Bahrain** dinar | 0.5397 | 1.8529 | 0.3770 | 2.6525 |
| **Egypt** pound-a | 7.8775 | 0.1269 | 5.5030 | 0.1817 |
| **Israel** shekel | 5.4361 | 0.1840 | 3.7975 | 0.2633 |
| **Jordan** dinar | 1.0131 | 0.9870 | 0.7078 | 1.4129 |
| **Kuwait** dinar | 0.4088 | 2.4464 | 0.2856 | 3.5020 |
| **Lebanon** pound | 2150.11 | 0.0004651 | 1502.00 | 0.0006658 |
| **Saudi Arabia** riyal | 5.3688 | 0.1863 | 3.7505 | 0.2666 |
| **South Africa** rand | 11.0812 | 0.0902 | 7.7410 | 0.1292 |
| **United Arab** dirham | 5.2414 | 0.1908 | 3.6615 | 0.2731 |
| **SDR** -f | 0.9124 | 1.0960 | 0.6374 | 1.5689 |

a-floating rate b-commercial rate c-government rate c-commercial rate d-Russian Central Bank rate f-Special Drawing Rights from the International Monetary Fund ; based on exchange rates for U.S., British and Japanese currencies.
Note: Based on trading among banks in amounts of $1 million and more, as quoted by Thomson Reuters.

## Major stock market indexes

Stock indexes from around the world, grouped by region. Shown in local-currency terms.

| Price-to-earnings ratio* | Region/Country | Index | PREVIOUS SESSION Close | PREVIOUS SESSION Net change | PREVIOUS SESSION Percentage change | PERFORMANCE Yr.-to-date | PERFORMANCE 52-wk. |
|---|---|---|---|---|---|---|---|
| 32 | **ASIA-PACIFIC** | DJ Asia-Pacific | 119.64 | -0.57 | **-0.47%** | 27.8% | 29.7% |
| ... | Australia | SPX/ASX 200 | 4635.13 | -15.39 | **-0.33** | 24.5 | 30.3 |
| ... | China | CBN 600 | 27611.59 | 99.95 | **0.36%** | 87.0 | 69.2 |
| 20 | Hong Kong | Hang Seng | 20948.10 | -227.78 | **-1.08** | 45.6 | 43.3 |
| 19 | India | Sensex | 16601.20 | -118.63 | **-0.71** | 72.1 | 67.2 |
| ... | Indonesia | Jakarta Composite | 2431.389 | -78.187 | **-3.12** | 79.4 | 80.7 |
| ... | Japan | Nikkei Stock Average | 10183.47 | 41.42 | **0.41** | 14.9 | 16.7 |
| ... | | Topix | 891.48 | -2.11 | **-0.24** | 3.8 | 5.0 |
| ... | Malaysia | Kuala Lumpur Composite | 1255.66 | -11.31 | **-0.89** | 43.2 | 43.8 |
| ... | New Zealand | NZSX-50 | 3149.805 | -4.424 | **-0.14** | 16.0 | 17.5 |
| 8 | Pakistan | KSE 100 | 9233.60 | 49.87 | **0.54** | 57.4 | 27.9 |
| 15 | Philippines | Manila Composite | 3020.56 | 3.57 | **0.12** | 61.3 | 64.1 |
| ... | Singapore | Straits Times | 2786.81 | -15.78 | **-0.56** | 58.2 | 59.6 |
| 11 | South Korea | Kospi | 1644.23 | -2.81 | **-0.17** | 46.2 | 39.4 |
| 21 | Taiwan | Weighted | 7787.27 | 33.64 | **0.43** | 69.6 | 71.7 |
| 10 | Thailand | SET | 715.17 | -0.51 | **-0.07** | 58.9 | 64.8 |
| 50 | **EUROPE** | DJ Stoxx 600 | 249.41 | 3.22 | **1.31** | 26.7 | 29.0 |
| 22 | | DJ Stoxx 50 | 2541.95 | 38.81 | **1.55** | 23.1 | 25.6 |
| 62 | **Euro Zone** | DJ Euro Stoxx | 270.79 | 3.82 | **1.43%** | 21.5% | 24.4% |
| 20 | | DJ Euro Stoxx 50 | 2922.23 | 51.01 | **1.78** | 19.2 | 21.9 |
| 19 | Denmark | OMX Copenhagen | 311.04 | -2.66 | **-0.85%** | 37.5 | 37.9 |
| 20 | Finland | OMX Helsinki | 6255.34 | 39.91 | **0.64** | 15.8 | 18.6 |
| 19 | France | CAC-40 | 3872.06 | 77.62 | **2.05** | 20.3 | 22.9 |
| 21 | Germany | DAX | 5930.53 | 99.32 | **1.70** | 23.3 | 27.8 |
| 16 | Italy | FTSE MIB | 22738.68 | 266.25 | **1.18** | 16.8 | 18.3 |
| ... | Netherlands | AEX | 330.51 | 5.88 | **1.81** | 34.4 | 35.8 |
| ... | Russia | RTSI | 1425.45 | 15.23 | **1.08** | 125.6 | 116.9 |
| 11 | Spain | IBEX 35 | 11830.8 | 185.8 | **1.60** | 28.7 | 30.0 |
| 14 | Switzerland | SMI | 6504.44 | 40.12 | **0.62** | 17.5 | 20.0 |
| ... | Turkey | ISE National 100 | 51280.90 | 1142.45 | **2.28** | 90.9 | 95.7 |
| 14 | U.K. | FTSE 100 | 5293.99 | 97.18 | **1.87** | 19.4 | 24.6 |
| 21 | **AMERICAS** | DJ Americas | 295.25 | 3.53 | **1.21** | 30.6 | 35.8 |
| ... | Brazil | Bovespa | 67399.68 | 605.48 | **0.91** | 79.5 | 78.8 |
| ... | Argentina | Merval | 2239.15 | 23.70 | **1.07** | 107.4 | 113.0 |
| 20 | Mexico | IPC | 31942.85 | 108.78 | **0.34** | 42.7 | 45.1 |

*P/E ratios use trailing 12-months, as-reported earnings
European and Americas index data are as of 12:00 p.m. ET.

Sources: Thomson Reuters; WSJ Market Data Group

**Reuters Group PLC** is the primary data provider for several statistical tables in The Wall Street Journal, including foreign stock quotations, futures and futures options prices, and foreign exchange tables. Reuters real-time data feeds are used to calculate various Dow Jones Indexes.

## Dow Jones and Dow Jones Stoxx Indexes

| Dividend yield* | Price-to-earnings ratio* | Dows Jones Index | Last | Net change | PERFORMANCE Daily | PERFORMANCE Year-to-date | PERFORMANCE 52-wk. | Three-yr., annualized |
|---|---|---|---|---|---|---|---|---|
| 2.21% | 20 | **DJ Global Index** | 223.73 | 2.07 | **2.07%** | 34.1% | 0.9% | -6.8% |
| 1.89 | 21 | **Global DOW** | 1938.38 | 3.56 | **3.56** | 30.2 | 0.2 | -2.9 |
| 2.40 | | **Asia/Pacific 600** | 112.43 | -0.49 | **-0.49** | 19.7 | -0.4 | -8.2 |
| 1.80 | 15 | **Emerging Markets** | 269.31 | 0.20 | **0.20** | 73.3 | 0.1 | 2.7 |
| 2.18 | 32 | **Asia/Pacific** | 119.64 | -0.58 | **-0.58** | 29.7 | -0.5 | -6.2 |
| 2.46 | 13 | **Asia/Pacific ex-Japan** | 299.45 | -1.83 | **-1.83** | 65.1 | -0.6 | -0.3 |
| 2.61 | 22 | **Southeast Asia** | 153.22 | -0.35 | **-0.35** | 71.4 | -0.2 | 1.8 |
| 0.86 | 30 | **CBN China 600** -c | 27611.59 | 99.95 | **99.95** | 69.2 | 0.4 | 23.0 |
| 0.88 | 33 | **Shanghai** | 368.93 | 1.03 | **1.03** | 69.7 | 0.3 | 23.2 |
| 0.61 | 45 | **Shenzhen** | 394.60 | 4.09 | **4.09** | 85.1 | 1.1 | 28.6 |
| 2.28 | 19 | **China Offshore 50** | 3902.90 | -40.07 | **-40.07** | 42.9 | -1.0 | 7.3 |
| 8.87 | 9 | **Australia LPT** -c, d | 1093.12 | -4.23 | **-4.23** | 3.6 | -0.4 | -21.9 |

| Dividend yield* | Price-to-earnings ratio* | Dows Jones Index | Last | Net change | PERFORMANCE Daily | PERFORMANCE Year-to-date | PERFORMANCE 52-wk. | Three-yr., annualized |
|---|---|---|---|---|---|---|---|---|
| 2.12% | 15 | **Islamic Market** | 1948.17 | 18.50 | **18.50%** | 36.1% | 1.0% | -2.0% |
| 2.40 | 16 | **Islamic Market 100** | 2103.10 | 21.74 | **21.74** | 23.8 | 1.0 | -2.7 |
| 9.72 | 14 | **Bahrain** | 121.07 | 0.33 | **0.33** | -21.0 | 0.3 | -12.9 |
| 2.78 | 34 | **Kuwait** | 199.18 | -3.00 | **-3.00** | -13.6 | -1.5 | -15.1 |
| 2.67 | 19 | **Sustainability** | 996.12 | 11.98 | **11.98** | 33.1 | 1.2 | -7.7 |
| 2.72 | 50 | **Stoxx 600 -p** | 262.51 | -2.37 | **-2.37** | 28.4 | -0.9 | -9.8 |
| 4.74 | 17 | **Stoxx Select Div 30 -p** | 1728.04 | -20.14 | **-20.14** | 27.4 | -1.1 | -21.8 |
| 3.98 | 23 | **Euro Stoxx Sel Div 30 -p** | 2051.59 | -28.66 | **-28.66** | 28.2 | -1.4 | -17.4 |
| 1.79 | 29 | **DJ U.S. TSM** | 11475.19 | 120.08 | **120.08** | 31.1 | 1.1 | -7.0 |
| 5.31 | 12 | **U.S. Select Dividend -d** | 651.62 | 5.86 | **5.86** | 15.8 | 0.9 | -9.9 |
| 4.51 | | **U.S. REIT** | 143.74 | 0.29 | **0.29** | 24.1 | 0.2 | -18.2 |
| | | **DJ-UBS Commodity -p** | 135.49 | 0.42 | **0.42** | 21.8 | 0.3 | -6.7 |

*Fundamentals are based on data in U.S. dollar. Footnotes: c-in local currency. d-dividends reinvested. p-previous day. Note: All data as of 11:30 a.m. ET.

Source: Dow Jones Indexes

## Cross rates

U.S.-dollar and euro foreign-exchange rates in global trading

| | US$ | A$ | £ | C$ | YUAN | EURO | HK$ | RUPEE | RUPIAH | YEN | NZ$ | WON | RINGGIT | PH. PESO | S$ | S FRANC | TW$ | BAHT |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| **U.S.** | | 1.132 | 0.622 | 1.058 | 6.829 | 0.699 | 7.756 | 46.800 | 9489.47 | 90.920 | 1.412 | 1185.65 | 3.435 | 46.625 | 1.405 | 1.044 | 32.378 | 33.240 |
| **Australia** | 0.884 | | 0.550 | 0.935 | 6.034 | 0.617 | 6.854 | 41.357 | 8385.84 | 80.346 | 1.247 | 1047.76 | 3.036 | 41.203 | 1.242 | 0.923 | 28.612 | 29.374 |
| **Britain** | 1.607 | 1.819 | | 1.701 | 10.975 | 1.123 | 12.464 | 75.215 | 15251.00 | 146.122 | 2.269 | 1905.52 | 5.521 | 74.933 | 2.259 | 1.678 | 52.036 | 53.422 |
| **Canada** | 0.945 | 1.069 | 0.588 | | 6.452 | 0.660 | 7.328 | 44.220 | 8966.28 | 85.907 | 1.334 | 1120.28 | 3.246 | 44.054 | 1.328 | 0.986 | 30.593 | 31.407 |
| **China** | 0.1464 | 0.166 | 0.091 | 0.155 | | 0.102 | 1.136 | 6.854 | 1389.68 | 13.315 | 0.207 | 173.63 | 0.503 | 6.828 | 0.206 | 0.153 | 4.742 | 4.868 |
| **Euro** | 1.431 | 1.620 | 0.891 | 1.515 | 9.775 | | 11.102 | 66.994 | 13584.17 | 130.152 | 2.021 | 1697.26 | 4.917 | 66.744 | 2.012 | 1.495 | 46.349 | 47.583 |
| **Hong Kong** | 0.129 | 0.146 | 0.080 | 0.136 | 0.880 | 0.090 | | 6.034 | 1223.58 | 11.723 | 0.182 | 152.88 | 0.443 | 6.012 | 0.181 | 0.135 | 4.175 | 4.286 |
| **India** | 0.0214 | 0.0242 | 0.0133 | 0.0226 | 0.1459 | 0.0149 | 0.1657 | | 202.77 | 1.9427 | 0.0302 | 25.33 | 0.0734 | 0.9963 | 0.0300 | 0.0223 | 0.6918 | 0.7103 |
| **Indonesia** | 0.0001 | 0.0001 | 0.0001 | 0.0001 | 0.0007 | 0.0001 | 0.0008 | 0.0049 | | 0.0096 | 0.0001 | 0.12 | 0.0004 | 0.0049 | 0.0001 | 0.0001 | 0.0034 | 0.0035 |
| **Japan** | 0.011 | 0.012 | 0.007 | 0.012 | 0.075 | 0.008 | 0.085 | 0.515 | 104.37 | | 0.016 | 13.04 | 0.038 | 0.513 | 0.015 | 0.011 | 0.356 | 0.366 |
| **New Zealand** | 0.708 | 0.802 | 0.441 | 0.750 | 4.837 | 0.495 | 5.494 | 33.153 | 6722.34 | 64.408 | | 839.91 | 2.433 | 33.029 | 0.996 | 0.740 | 22.937 | 23.547 |
| **South Korea** | 0.0008 | 0.0010 | 0.0005 | 0.0009 | 0.0058 | 0.0006 | 0.0065 | 0.0395 | 8.00 | 0.0767 | 0.0012 | | 0.0029 | 0.0393 | 0.0012 | 0.0009 | 0.0273 | 0.0280 |
| **Malaysia** | 0.291 | 0.329 | 0.181 | 0.308 | 1.988 | 0.203 | 2.258 | 13.624 | 2762.58 | 26.469 | 0.411 | 345.17 | | 13.574 | 0.409 | 0.304 | 9.426 | 9.677 |
| **Philippines** | 0.021 | 0.024 | 0.013 | 0.023 | 0.146 | 0.015 | 0.166 | 1.004 | 203.53 | 1.950 | 0.030 | 25.43 | 0.074 | | 0.030 | 0.022 | 0.694 | 0.713 |
| **Singapore** | 0.712 | 0.805 | 0.443 | 0.753 | 4.859 | 0.497 | 5.519 | 33.302 | 6752.63 | 64.698 | 1.005 | 843.70 | 2.444 | 33.178 | | 0.743 | 23.040 | 23.653 |
| **Switzerland** | 0.958 | 1.084 | 0.596 | 1.014 | 6.540 | 0.669 | 7.428 | 44.825 | 9089.09 | 87.084 | 1.352 | 1135.62 | 3.290 | 44.658 | 1.346 | | 31.012 | 31.838 |
| **Taiwan** | 0.031 | 0.035 | 0.019 | 0.033 | 0.211 | 0.022 | 0.240 | 1.445 | 293.08 | 2.808 | 0.044 | 36.62 | 0.106 | 1.440 | 0.043 | 0.032 | | 1.027 |
| **Thailand** | 0.030 | 0.034 | 0.019 | 0.032 | 0.205 | 0.021 | 0.233 | 1.408 | 285.48 | 2.735 | 0.042 | 35.67 | 0.103 | 1.403 | 0.042 | 0.031 | 0.974 | |

Source: Thomson Reuters via WSJ Market Data Group

## MSCI indexes

Developed and emerging-market regional and country indexes from MSCI Barra as of December. 21, 2009

| Dividend yield | Price-to-earnings ratio | Morgan Stanley Index | Last | LOCAL-CURRENCY PERFORMANCE Daily | YTD | 52-wk. |
|---|---|---|---|---|---|---|
| 2.50% | 25 | **ALL COUNTRY (AC) WORLD*** | 292.46 | -0.16% | **28.5%** | 32.9% |
| 2.50 | 26 | **World (Developed Markets)** | 1,144.11 | -0.11 | **24.3** | 28.1 |
| 1.90 | 124 | **World Small Cap** | 186.03 | 0.22 | **38.6** | 46.7 |
| 2.60 | 22 | **Kokusai (World ex-Japan)** | 1,132.09 | -0.01 | **26.9** | 30.0 |
| 3.10 | 26 | **EAFE** | 1,535.58 | -0.86 | **24.1** | 31.4 |
| 2.20 | 20 | **Emerging Markets (EM)** | 950.21 | -0.49 | **67.6** | 80.3 |
| 2.60 | 25 | **AC ASIA PACIFIC EX-JAPAN** | 397.63 | -0.52 | **60.8** | 74.8 |
| 2.10 | 25 | **AC Far East ex-Japan** | 432.20 | -0.54 | **58.5** | 74.4 |
| 1.80 | 35 | **Japan** | 557.71 | -0.34 | **5.2** | 8.2 |
| 1.90 | 20 | **China** | 62.24 | -1.50 | **52.6** | 68.6 |
| 0.90 | 39 | **China A (China Domestic)** | 3,207.28 | -2.79 | **84.9** | 84.5 |
| 2.60 | 23 | **Hong Kong** | 9,880.62 | -0.47 | **50.7** | 56.3 |
| 1.00 | 21 | **India** | 678.37 | -1.07 | **83.7** | 95.9 |
| 1.10 | 24 | **Korea** | 468.59 | -0.10 | **52.7** | 56.8 |
| 2.40 | 21 | **Malaysia** | 468.35 | 0.00 | **45.8** | 47.6 |
| 3.10 | 17 | **Singapore** | 1,570.03 | -0.36 | **57.5** | 59.6 |
| 2.70 | 315 | **Taiwan** | 279.51 | 0.08 | **61.2** | 66.9 |
| 3.10 | 20 | **Thailand** | 291.03 | -0.31 | **57.2** | 75.3 |
| 4.00 | 25 | **Australia** | 955.41 | -0.35 | **24.9** | 23.8 |
| 5.30 | 16 | **New Zealand** | 85.06 | 1.94 | **12.0** | 9.7 |
| 1.90 | 32 | **US BROAD MARKET** | 1,221.40 | 0.64 | **24.3** | 26.3 |
| 3.40 | 17 | **EUROPE** | 85.58 | -0.41 | **23.3** | 18.4 |

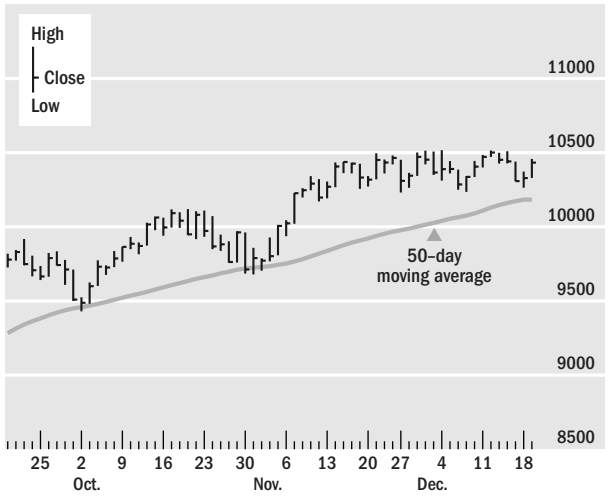
*Twenty-three developed and 26 emerging markets

Source: MSCI Barra

# SCANNING THE GLOBE

## Dow Jones Industrial Average P/E: 18

LAST: **10433.03** ▲ 104.14, or 1.01%
YEAR TO DATE: ▲ **1,656.64, or 18.9%**
OVER 52 WEEKS ▲ **1,913.26, or 22.5%**

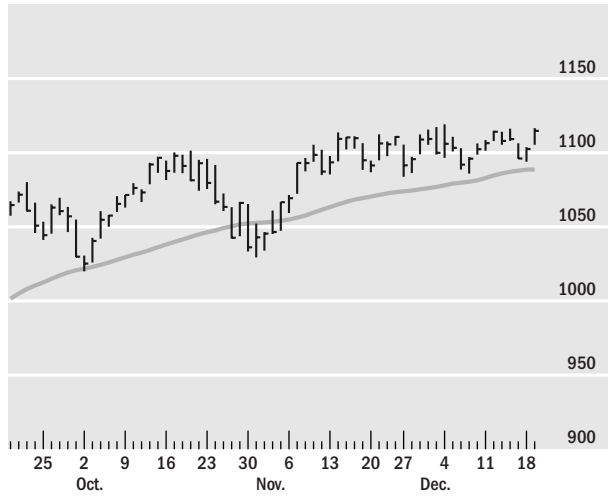



## Nasdaq Composite Index P/E: 44*

LAST: **2234.28** ▲ 22.59, or 1.02%
YEAR TO DATE: ▲ **657.25, or 41.7%**
OVER 52 WEEKS ▲ **701.93, or 45.8%**

## S&P 500 Index P/E: 73

LAST: **1114.72** ▲ 12.25, or 1.11%
YEAR TO DATE: ▲ **211.47, or 23.4%**
OVER 52 WEEKS ▲ **243.09, or 27.9%**




*Price-to-earnings ratio for the Nasdaq 100 Note: Price-to-earnings ratios are for trailing 12 months

Sources: WSJ Market Data Group; Birinyi Associates

## DJIA component stocks

| Stock | Symbol | Volume, in millions | Latest | CHANGE Points | CHANGE Percentage |
|---|---|---|---|---|---|
| **AT&T** | T | **8.90** | $27.59 | 0.27 | **1.00%** |
| **Alcoa** | AA | **36.50** | 15.85 | 1.27 | **8.71** |
| **AmExpress** | AXP | **2.20** | 41.00 | 0.49 | **1.21** |
| **BankAm** | BAC | **84.80** | 15.31 | 0.28 | **1.86** |
| **Boeing** | BA | **1.60** | 54.34 | 0.90 | **1.68** |
| **Caterpillar** | CAT | **2.00** | 57.47 | 0.28 | **0.49** |
| **Chevron** | CVX | **2.50** | 77.49 | 0.59 | **0.77** |
| **CiscoSys** | CSCO | **20.50** | 23.75 | 0.42 | **1.81** |
| **CocaCola** | KO | **3.20** | 57.35 | 0.43 | **0.76** |
| **Disney** | DIS | **3.20** | 32.39 | 0.44 | **1.38** |
| **DuPont** | DD | **2.40** | 32.44 | 0.56 | **1.77** |
| **ExxonMobil** | XOM | **15.60** | 68.42 | 0.21 | **0.31** |
| **GenElec** | GE | **20.30** | 15.73 | 0.14 | **0.90** |
| **HewlettPk** | HPQ | **7.40** | 52.10 | 0.59 | **1.16** |
| **HomeDpt** | HD | **3.90** | 29.11 | 0.46 | **1.61** |
| **Intel** | INTC | **28.40** | 20.24 | 0.61 | **3.11** |
| **IBM** | IBM | **1.90** | 128.80 | 0.89 | **0.70** |
| **JPMorgChas** | JPM | **21.30** | 41.97 | 1.02 | **2.49** |
| **JohnsJohns** | JNJ | **4.60** | 64.42 | 0.05 | **0.08** |
| **KftFoods** | KFT | **2.60** | 27.09 | 0.08 | **0.30** |
| **McDonalds** | MCD | **1.70** | 62.48 | 0.31 | **0.50** |
| **Merck** | MRK | **5.90** | 38.35 | 0.95 | **2.54** |
| **Microsoft** | MSFT | **19.90** | 30.74 | 0.38 | **1.24** |
| **Pfizer** | PFE | **16.00** | 18.74 | 0.44 | **2.40** |
| **ProctGamb** | PG | **4.00** | 61.60 | 0.05 | **0.08** |
| **3M** | MMM | **1.10** | 81.67 | 0.70 | **0.86** |
| **TravelersCos** | TRV | **1.30** | 48.62 | 0.48 | **1.00** |
| **UnitedTech** | UTX | **1.70** | 69.58 | 0.12 | **0.17** |
| **Verizon** | VZ | **3.90** | 33.12 | 0.32 | **0.98** |
| **WalMart** | WMT | **6.00** | 53.27 | 0.42 | **0.79** |

## U.S. stocks: most active...

| Stock | Symbol | Volume, in millions | Latest | CHANGE Points | CHANGE Percentage |
|---|---|---|---|---|---|
| **Citigroup** | C | **338.4** | $3.37 | –$0.03 | **–0.88%** |
| **BankAm** | BAC | **86.0** | 15.31 | 0.28 | **1.86** |
| **SPDR S&P 500** | SPY | **55.9** | 111.49 | 1.28 | **1.16** |
| **PwrShrs QQQ** | QQQQ | **38.0** | 45.02 | 0.56 | **1.25** |
| **Alcoa** | AA | **37.3** | 15.85 | 1.27 | **8.72** |
| **iShrMSCIEmrgMkt** | EEM | **32.5** | 40.54 | 0.18 | **0.45** |
| **SPDR FnclSelSct** | XLF | **31.8** | 14.39 | 0.17 | **1.20** |
| **Intel** | INTC | **28.6** | 20.26 | 0.63 | **3.18** |
| **WellsFargo** | WFC | **27.2** | 27.41 | 0.63 | **2.35** |
| **E Trade** | ETFC | **25.4** | 1.71 | –0.07 | **–3.93** |
| **FordMotor** | F | **24.3** | 9.78 | 0.10 | **1.03** |
| **AdventrxPharm** | ANX | **22.1** | 0.20 | 0.01 | **5.26** |
| **JPMorgChas** | JPM | **21.4** | 41.99 | 1.04 | **2.54** |
| **iShrRu2000** | IWM | **20.6** | 61.95 | 0.77 | **1.26** |
| **CiscoSys** | CSCO | **20.6** | 23.75 | 0.42 | **1.81** |

## Biggest gainers...

| | | | | | |
|---|---|---|---|---|---|
| **Chattem** | CHTT | **8,013.8** | $92.89 | $22.91 | **32.74%** |
| **MrnePdts** | MPX | **19.1** | 5.00 | 1.12 | **28.87** |
| **ZaleCp** | ZLC | **2,161.8** | 2.48 | 0.40 | **19.23** |
| **NovaMsrInst** | NVMI | **795.0** | 5.73 | 0.91 | **18.88** |
| **MercantileBcp** | MBR | **8.3** | 3.48 | 0.55 | **18.77** |

## ...Biggest losers

| | | | | | |
|---|---|---|---|---|---|
| **BnkCarolinas** | BCAR | **124.3** | $5.75 | -$2.95 | **-33.91%** |
| **OncoGenexPhrm** | OGXI | **2,171.0** | 22.14 | -7.51 | **-25.33** |
| **ReadingB** | RDIB | **2.6** | 7.36 | -2.14 | **-22.53** |
| **GigaMedia** | GIGM | **2,273.2** | 3.51 | -0.64 | **-15.42** |
| **Kforce** | KFRC | **574.2** | 12.25 | -2.00 | **-14.04** |

## ADRs of Asian companies*

| 52-WEEK High | 52-WEEK Low | Stock | Symbol | Volume, in OOOs | Latest | CHANGE Points | CHANGE Percentage |
|---|---|---|---|---|---|---|---|
| $11.39 | $6.36 | **Taiwan Semi** | TSM | **6,922.0** | $11.25 | 0.14 | **1.26%** |
| 78.75 | 33.09 | **BHP Billiton** | BHP | **1,516.4** | 73.50 | 0.20 | **0.27** |
| 11.77 | 6.25 | **AU Optrncs** | AUO | **1,343.7** | 11.74 | 0.46 | **4.08** |
| 15.95 | 8.56 | **China Unicom** | CHU | **1,294.8** | 12.67 | 0.00 | **-0.01** |
| 3.87 | 1.65 | **Utd Microelectronics** | UMC | **993.0** | 3.66 | 0.04 | **1.11** |
| 6.84 | 3.71 | **Mitsu UFJ Fnl** | MTU | **949.1** | 5.23 | 0.09 | **1.75** |
| 8.19 | 3.78 | **Siliconware Prec Ind** | SPIL | **900.8** | 6.80 | 0.28 | **4.29** |
| 54.99 | 22.61 | **Infosys Tech** | INFY | **581.8** | 54.07 | -0.57 | **-1.04** |
| 59.22 | 40.20 | **China Mobile** | CHL | **515.4** | 45.68 | -0.27 | **-0.59** |
| 18.80 | 12.59 | **SK Telecom** | SKM | **395.9** | 16.42 | -0.05 | **-0.30** |
| 81.00 | 37.43 | **China Life Ins** | LFC | **373.2** | 70.91 | -2.16 | **-2.96** |
| 32.79 | 9.91 | **Aluminum Cp of China** | ACH | **280.0** | 27.20 | 0.30 | **1.12** |
| 19.56 | 15.05 | **ChunghwaTel** | CHT | **261.5** | 17.94 | -0.05 | **-0.28** |
| 30.82 | 15.64 | **Sony** | SNE | **247.1** | 28.83 | 0.19 | **0.66** |
| 7.10 | 2.00 | **Alumina** | AWC | **229.9** | 6.24 | 0.19 | **3.14** |
| 9.50 | 3.96 | **Nomura Hldgs** | NMR | **211.0** | 7.50 | 0.04 | **0.54** |
| 4.63 | 1.49 | **Adv Semi Engrg** | ASX | **193.0** | 4.31 | 0.11 | **2.62** |
| 150.50 | 47.09 | **POSCO** | PKX | **186.8** | 125.00 | -0.01 | **-0.01** |
| 34.43 | 21.60 | **Huaneng Power Intl** | HNP | **161.7** | 22.07 | -0.56 | **-2.47** |
| 34.52 | 19.60 | **Honda Motor** | HMC | **147.2** | 33.70 | -0.22 | **-0.65** |
| 22.15 | 5.11 | **Yanzhou Coal Mining** | YZC | **139.6** | 20.53 | -0.33 | **-1.56** |
| 135.92 | 63.94 | **PetroChina** | PTR | **132.4** | 118.75 | -0.49 | **-0.41** |
| 9.82 | 5.43 | **Telecom Corp of NZ** | NZT | **128.3** | 8.82 | 0.06 | **0.66** |
| 4.00 | 1.43 | **SemiMfgInt** | SMI | **115.6** | 2.93 | -0.16 | **-5.18** |
| 15.29 | 6.85 | **Korea Elec Pwr** | KEP | **115.5** | 13.60 | -0.12 | **-0.87** |
| 56.41 | 31.92 | **ChinaTele** | CHA | **77.7** | 41.07 | 0.13 | **0.32** |
| 41.87 | 19.90 | **Telekom Indonesia** | TLK | **76.7** | 40.34 | -1.03 | **-2.49** |
| 44.49 | 23.84 | **Hitachi** | HIT | **76.3** | 29.43 | 0.67 | **2.33** |
| 17.79 | 11.30 | **KT Corp** | KTC | **75.0** | 17.14 | 0.02 | **0.12** |
| 27.96 | 17.71 | **NTT** | NTT | **71.9** | 20.27 | -0.02 | **-0.10** |

*Most active American depositary receipts tracked by Dow Jones

Source: WSJ Market Data Group

## Global government bonds

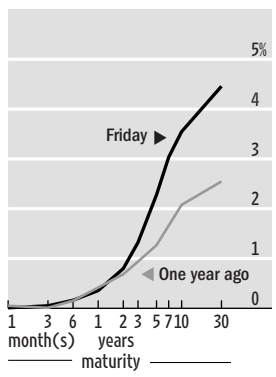
Latest, month-ago and year-ago yields and spreads over or under U.S. Treasurys on benchmark two-year and 10-year government bonds around the world. Data as of 11 a.m. ET

| Coupon | Country/ Maturity, in years | Yield | SPREAD OVER TREASURYS, in basis points Latest | Previous | Month ago | Year ago | YIELD Previous | Month ago | Year ago |
|---|---|---|---|---|---|---|---|---|---|
| 5.750% | **Australia** 2 | **4.300%** | **346.0** | 344.1 | 372.9 | **204.4** | **4.240%** | 4.458% | **2.784%** |
| 4.500 | 10 | **5.455** | **181.5** | 188.4 | 208.1 | **189.9** | **5.430** | 5.451 | **4.029** |
| 5.250 | **Austria** 2 | **0.938** | **9.8** | 8.1 | 18.8 | **146.7** | **0.880** | 0.917 | **2.207** |
| 4.350 | 10 | **3.623** | **-1.7** | 3.3 | 25.8 | **178.4** | **3.579** | 3.628 | **3.914** |
| 3.500 | **Belgium** 2 | **1.026** | **18.6** | 26.9 | 38.1 | **161.0** | **1.068** | 1.110 | **2.350** |
| 4.000 | 10 | **3.597** | **-4.3** | 2.9 | 27.1 | **171.0** | **3.575** | 3.641 | **3.840** |
| 1.250 | **Canada** 2 | **1.344** | **50.4** | 51.4 | 52.6 | **52.3** | **1.313** | 1.255 | **1.263** |
| 3.750 | 10 | **3.462** | **-17.8** | -13.3 | 1.3 | **67.5** | **3.413** | 3.383 | **2.805** |
| 4.000 | **Denmark** 2 | **1.992** | **115.2** | 120.8 | 144.2 | **208.8** | **2.007** | 2.171 | **2.828** |
| 4.000 | 10 | **3.484** | **-15.6** | -4.9 | 24.8 | **134.8** | **3.497** | 3.618 | **3.478** |
| 1.500 | **France** 2 | **1.076** | **23.6** | 31.5 | 54.4 | **145.1** | **1.114** | 1.273 | **2.191** |
| 3.750 | 10 | **3.435** | **-20.5** | -16.2 | 18.1 | **134.9** | **3.384** | 3.551 | **3.479** |
| 1.250 | **Germany** 2 | **1.166** | **32.6** | 37.4 | 58.5 | **111.2** | **1.173** | 1.314 | **1.852** |
| 3.250 | 10 | **3.192** | **-44.8** | -39.9 | -11.2 | **86.3** | **3.147** | 3.258 | **2.993** |
| 0.550 | **Hong Kong** 2 | **0.488** | **-35.2** | -21.9 | -27.4 | **-3.9** | **0.580** | 0.455 | **0.701** |
| 2.160 | 10 | **2.449** | **-119.1** | -99.9 | -117.8 | **-74.3** | **2.547** | 2.192 | **1.387** |
| 3.750 | **Italy** 2 | **1.457** | **61.7** | 65.9 | 82.0 | **240.0** | **1.458** | 1.549 | **3.140** |
| 4.250 | 10 | **4.027** | **38.7** | 43.5 | 69.5 | **223.0** | **3.981** | 4.065 | **4.360** |
| 0.200 | **Japan** 2 | **0.170** | **-67.0** | -63.4 | -47.9 | **-29.0** | **0.165** | 0.250 | **0.450** |
| 1.300 | 10 | **1.222** | **-241.8** | -230.9 | -206.5 | **-86.0** | **1.237** | 1.305 | **1.270** |
| 4.000 | **Netherlands** 2 | **0.813** | **-2.7** | -1.5 | 19.4 | **137.2** | **0.784** | 0.923 | **2.112** |
| 4.000 | 10 | **3.393** | **-24.7** | -19.7 | 15.4 | **150.7** | **3.349** | 3.524 | **3.637** |
| 3.200 | **Portugal** 2 | **1.280** | **44.0** | 41.9 | 47.7 | **199.6** | **1.218** | 1.206 | **2.736** |
| 4.750 | 10 | **3.998** | **35.8** | 35.3 | 45.1 | **184.0** | **3.899** | 3.821 | **3.970** |
| 5.350 | **Spain** 2 | **1.604** | **76.4** | 74.4 | 65.3 | **179.9** | **1.543** | 1.382 | **2.539** |
| 4.300 | 10 | **3.920** | **28.0** | 30.9 | 47.5 | **171.1** | **3.855** | 3.845 | **3.841** |
| 2.750 | **Switzerland** 2 | **0.594** | **-24.6** | -20.3 | ... | **-2.2** | **0.596** | ... | **0.718** |
| 2.250 | 10 | **1.942** | **-169.8** | -161.4 | ... | **11.4** | **1.932** | ... | **2.244** |
| 3.250 | **U.K.** 2 | **1.215** | **37.5** | 32.1 | 51.7 | **53.9** | **1.120** | 1.246 | **1.279** |
| 4.500 | 10 | **3.863** | **22.3** | 21.5 | 26.8 | **104.1** | **3.761** | 3.638 | **3.171** |
| 0.750 | **U.S.** 2 | **0.840** | **...** | ... | ... | **...** | **0.799** | 0.729 | **0.740** |
| 3.375 | 10 | **3.640** | **...** | ... | ... | **...** | **3.546** | 3.370 | **2.130** |

Source: Thomson Reuters

## U.S. Treasury yield curve

The curve shows the yield to maturity of current bills, notes and bonds; all data as of 3 p.m. ET.




| Ryan Index | Yield to maturity | Modified duration | TOTAL RETURN Month to-date | Quarter to-date | Year to-date | 12-month |
|---|---|---|---|---|---|---|
| **30-year Treasury** | **4.458%** | 16.43 | –4.06% | –5.56% | –23.49% | –25.47% |
| **10-year Treasury** | **3.548** | 8.32 | –2.68 | –1.20 | –7.29 | –8.56 |
| **7 Year Treasury** | **3.036** | 6.26 | –2.00 | 0.28 | ... | ... |
| **Five-year Treasury** | **2.279** | 4.67 | –1.15 | 1.06 | 1.03 | 0.17 |
| **Ryan Index** | **2.574** | 6.76 | –1.75 | –0.61 | –4.98 | –5.91 |
| **3 Year Treasury** | **1.323** | 2.93 | –0.41 | 1.07 | 2.14 | 2.07 |
| **Two-year Treasury** | **0.799** | 1.93 | –0.21 | 0.72 | 1.85 | 1.86 |
| **1 Year Treasury** | **0.356** | 0.99 | –0.03 | 0.27 | 1.03 | 1.11 |
| **Six-month Treasury** | **0.162** | 0.50 | 0.01 | 0.07 | 0.64 | 0.67 |
| **Ryan Cash Index-a** | **0.145** | 0.45 | ... | 0.10 | 0.54 | 0.57 |
| **Three-month bill** | **0.051** | 0.25 | 0.01 | 0.05 | 0.36 | 0.34 |
| **One-month bill** | **0.010** | 0.07 | 0.01 | 0.02 | 0.14 | 0.15 |

a-Performance of a cash investment

Source: Ryan ALM

## Key money rates

| | Latest | 52 wks ago |
|---|---|---|
| **Prime rates** | | |
| U.S. | **3.25%** | 3.25% |
| Canada | **2.25** | 3.50 |
| Japan | **1.475** | 1.675 |
| Britain | **0.50** | 2.00 |
| ECB | **1.00** | 2.50 |
| Switzerland | **0.52** | 2.02 |
| Australia | **3.75** | 4.25 |
| Hong Kong | **5.25** | n.a. |
| **Libor** | | |
| One month | **0.23188%** | 0.46125% |
| Three month | **0.24875** | 1.46625 |
| Six month | **0.43063** | 1.82625 |
| One year | **0.96438** | 2.07625 |

| | Latest | 52 wks ago |
|---|---|---|
| **Euro Libor** | | |
| One month | **0.44813%** | 2.75688% |
| Three month | **0.67000** | 3.04938 |
| Six month | **0.97500** | 3.13250 |
| One year | **1.22188** | 3.21938 |
| **Hibor** | | |
| One month | **0.06929** | 0.35143% |
| Three month | **0.12000** | 1.04857 |
| Six month | **0.25000** | 1.60000 |
| One year | **0.58929** | 1.94929 |
| **Asian dollars** | | |
| One month | **0.2396%** | 0.46% |
| Three month | **0.2606** | 1.4850 |
| Six month | **0.4560** | 1.8350 |
| One year | **0.9860** | 2.0450 |

| | Offer | Bid |
|---|---|---|
| **Eurodollars** | | |
| One month | **0.3500%** | 0.2000% |
| Three month | **0.3300** | 0.2300 |
| Six month | **0.4100** | 0.3100 |
| One year | **0.6500** | 0.5500 |

| | Latest | 52 wks ago |
|---|---|---|
| **U.S. discount** | **0.50%** | 0.50% |
| **Fed-funds target** | **0.25** | 0.25 |
| **Call money** | **2.00** | 2.00 |
| **Overnight repurchase rates** | | |
| U.S. | **0.23%** | 0.10% |
| U.K. (BBA) | **0.487** | 1.758 |
| Euro zone | **0.30** | 2.14 |

Sources: WSJ Market Data Group; Reuters

# MARKETS LINEUP

## Moving the markets

At right, Japan's benchmark stock index and the biggest movers among the larger Asian stocks indexes and stocks Monday. Below each index are its most actively traded stocks. The charts show the percentage change in each index's or stock's value, rather than the point change, for purposes of comparison. The index level or stock price is indicated on each axis. All indexes and stocks are shown in local currency terms.

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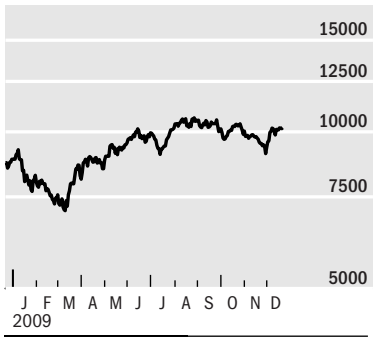
## Asian index movers...

### Nikkei Stock Average
Japan 10183.47
▲ **0.41% or 41.42**

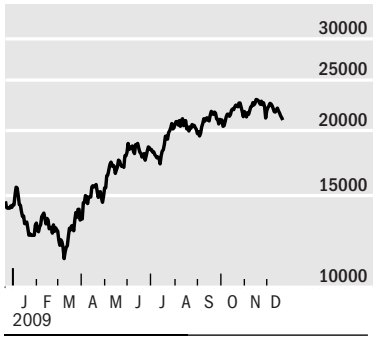
Rising crude prices lifted oil-related stocks, with Inpex adding 1.9% and Nippon Oil up 2.8%. Volume totaled only 1.56 billion shares in thin trading.




| Stock | Volume in millions | Close | Change Net | Change % |
|---|---|---|---|---|
| Mtshbsh Fin Grp | **304.76** | 473 | 11 | 2.38 |
| Mizuho Financial | **92.54** | 175 | –4 | –2.23 |
| Hitachi | **70.79** | 263 | 3 | 1.15 |
| Nippon Yusen | **47.64** | 288 | 5 | 1.77 |
| Sanyo Elec | **36.64** | 174 | 4 | 2.35 |

### Hang Seng
Hong Kong 20948.10
▼ **1.08% or 227.78**

Shares ended lower for a fifth consecutive session, led by developers and banks. China Overseas Land fell 1%, while Wharf slumped 7.4%. HSBC fell 1.1% on Dubai debt concerns.




| Stock | Volume in millions | Close | Change Net | Change % |
|---|---|---|---|---|
| Bank Of China | **292.77** | 4.05 | 0.02 | 0.50 |
| CCB | **202.76** | 6.28 | –0.08 | –1.26 |
| Icbc | **176.77** | 6.11 | –0.09 | –1.45 |
| China Life | **85.46** | 36.30 | –1.50 | –3.97 |
| PetroChina | **79.83** | 9.07 | –0.12 | –1.31 |

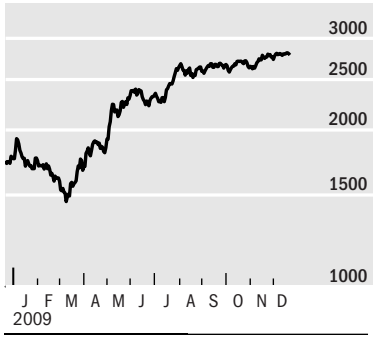
### Sensex
India 16601.20
▼ **0.71% or 118.63**

Metal, telecommunication and capital-goods stocks led the market lower. Aluminum producer Hindalco Industries slumped 4%, while copper producer Sterlite slipped 2%.

| Stock | Volume in millions | Close | Change Net | Change % |
|---|---|---|---|---|
| Dlf-A | **2.30** | 350.45 | –7.70 | –2.15 |
| Tata Steel-A | **1.80** | 555.55 | –7.65 | –1.36 |
| Reliance-A | **1.56** | 1,016.55 | 6.10 | 0.60 |
| Hindalco-A | **1.51** | 137.15 | –5.75 | –4.02 |
| Bharti Airtel-A | **1.42** | 310.10 | –7.00 | –2.21 |

### Straits-Times
Singapore 2786.81
▼ **0.56% or 15.78**

Shares ended lower, tracking weak leads from sluggish regional bourses. Yanlord fell 2.6% after announcing a US$400 million loan facility to refinance an existing loan.




| Stock | Volume in millions | Close | Change Net | Change % |
|---|---|---|---|---|
| Genting Spore | **29.72** | 1.16 | –0.01 | –0.85 |
| Golden Agri | **25.77** | 0.48 | –0.01 | –1.03 |
| Sing Telecom | **18.08** | 2.97 | –0.07 | –2.30 |
| NeptuneOrientLines | **15.34** | 1.57 | –0.02 | –1.26 |
| Noble Grp | **10.64** | 3.01 | unch | ... |

## Asian stocks in the news

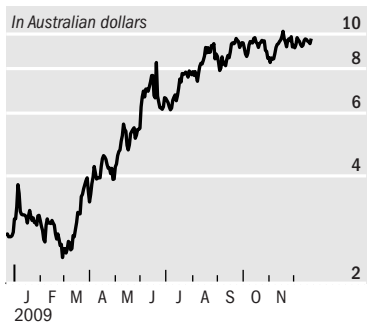
### Nippon Mining Hldgs
Japan ¥378
▲ **3.0% or ¥11**

The firm and Nippon Oil plan to merge operations under a holding company next year.

| | | Daily | 1 wk. | 52 wks |
|---|---|---|---|---|
| Price-to-earnings ratio | **10** | | | |
| Earnings per share, past four quarters | **38.80** | | | |
| Dividend yield | **4.0** | | | |
| Oil & Gas | | **-0.1%** | -2.7% | 50.0% |
| Nippon Mining Hldgs | | **3.0%** | 10.5% | 4.7% |

### Macarthur Coal
Australia A$9.71
▲ **3.3% or A$0.31**

The stock hit an intraday high of $9.75 and ended a four-day streak of losses.




| | | Daily | 1 wk. | 52 wks |
|---|---|---|---|---|
| Price-to-earnings ratio | **12** | | | |
| Earnings per share, past four quarters | **0.79** | | | |
| Dividend yield | **1.3** | | | |
| Basic Resources | | **-0.5%** | -3.4% | 62.8% |
| Macarthur Coal | | **3.3%** | 0.2% | 257.0% |

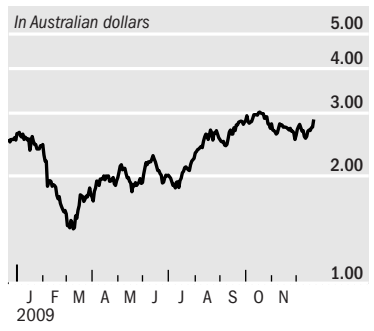
### Cosmo Oil
Japan ¥204
▲ **4.1% or ¥8**

Shares climbed, notching a five-day price gain of 12%, as resources stocks rose.

| | | Daily | 1 wk. | 52 wks |
|---|---|---|---|---|
| Price-to-earnings ratio | **12** | | | |
| Earnings per share, past four quarters | **16.50** | | | |
| Dividend yield | **3.9** | | | |
| Oil & Gas | | **-0.1%** | -2.7% | 50.0% |
| Cosmo Oil | | **4.1%** | 10.9% | -22.4% |

### Qantas Airways
Australia A$2.88
▲ **5.1% or A$0.14**

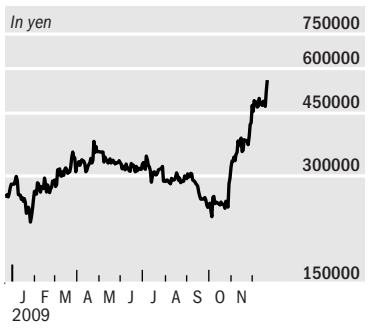
Positive first-half earnings guidance gave the stock a boost.




| | | Daily | 1 wk. | 52 wks |
|---|---|---|---|---|
| Price-to-earnings ratio | **51** | | | |
| Earnings per share, past four quarters | **0.06** | | | |
| Dividend yield | **none** | | | |
| Travel & Leisure | | **-0.9%** | -2.0% | 5.3% |
| Qantas Airways | | **5.1%** | 7.9% | 13.4% |

### DeNA
Japan ¥557,000
▲ **7.3% or ¥38,000**

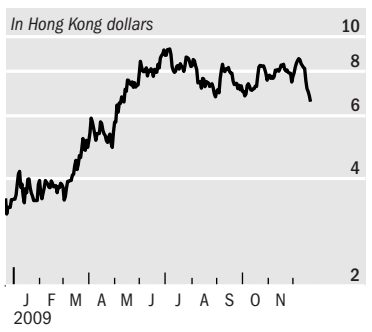
Shares advanced on growth potential for the firm's mobile site operations.




| | | Daily | 1 wk. | 52 wks |
|---|---|---|---|---|
| Price-to-earnings ratio | **35** | | | |
| Earnings per share, past four quarters | **15844.70** | | | |
| Dividend yield | **0.3** | | | |
| Retail | | **-0.2%** | -3.0% | 17.6% |
| DeNA | | **7.3%** | 17.8% | 111.6% |

### Sino-Ocean Land
Hong Kong HK$6.57
▼ **3.8% or HK$0.26**

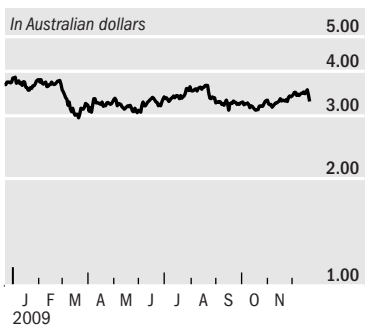
Shares declined along with other Hong Kong-listed mainland property stocks.




| | | Daily | 1 wk. | 52 wks |
|---|---|---|---|---|
| Price-to-earnings ratio | **17** | | | |
| Earnings per share, past four quarters | **0.38** | | | |
| Dividend yield | **1.7** | | | |
| Real Estate | | **-1.0%** | -4.7% | 31.7% |
| Sino-Ocean Land | | **-3.8%** | -19.4% | 86.6% |

### Telstra
Australia A$3.29
▼ **4.1% or A$0.14**

Macquarie Equities downgraded the stock after recent gains and Telstra's lower revenue guidance.




| | | Daily | 1 wk. | 52 wks |
|---|---|---|---|---|
| Price-to-earnings ratio | **10** | | | |
| Earnings per share, past four quarters | **0.33** | | | |
| Dividend yield | **4.3** | | | |
| Telecommunications | | **-1.3%** | -2.9% | -5.7% |
| Telstra | | **-4.1%** | -6.0% | -10.4% |

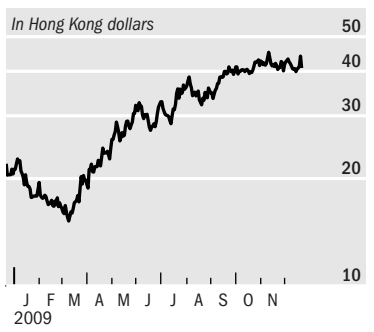
### Mongolia Energy
Hong Kong HK$3.96
▼ **4.3% or HK$0.18**

Speculation that the exploration company will report a first-half loss next week hurt the stock.

| | | Daily | 1 wk. | 52 wks |
|---|---|---|---|---|
| Price-to-earnings ratio | **none** | | | |
| Earnings per share, past four quarters | **-0.07** | | | |
| Dividend yield | **none** | | | |
| Basic Resources | | **-0.5%** | -3.4% | 62.8% |
| Mongolia Energy | | **-4.3%** | -26.8% | 58.4% |

### Wharf (Hldgs)
Hong Kong HK$40.85
▼ **7.4% or HK$3.25**

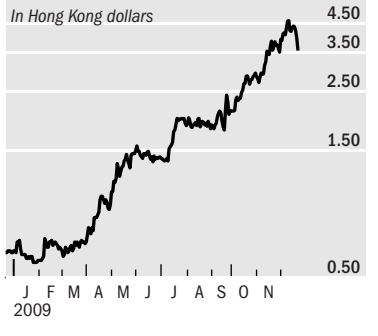
Shares slid as concerns over further property-market cooling measures weighed on Hong Kong.




| | | Daily | 1 wk. | 52 wks |
|---|---|---|---|---|
| Price-to-earnings ratio | **23** | | | |
| Earnings per share, past four quarters | **1.75** | | | |
| Dividend yield | **2.0** | | | |
| Indus Gds & Svcs | | **-0.2%** | -2.7% | 41.8% |
| Wharf (Hldgs) | | **-7.4%** | 2.4% | 85.7% |

### Geely Automobile Hldgs
Hong Kong HK$3.56
▼ **9.9% or HK$0.39**

The stock fell for a fourth straight session as investors reassessed its valuations after a run-up.




| | | Daily | 1 wk. | 52 wks |
|---|---|---|---|---|
| Price-to-earnings ratio | **16** | | | |
| Earnings per share, past four quarters | **0.22** | | | |
| Dividend yield | **0.4** | | | |
| Automobiles & Parts | | **-0.6%** | -2.7% | 57.9% |
| Geely Automobile Hldgs | | **-9.9%** | -18.0% | 474.2% |

HEARD ON THE STREET

Email: heard@wsj.com FINANCIAL ANALYSIS & COMMENTARY WSJ.com/Heard

# Will BOJ back its words with actions?

It's intolerable. So, what are you going to do about it?

That is the question posed by the Bank of Japan's statement Friday that it won't "tolerate" flat or negative changes in the consumer-price index. Governor Masaaki Shirakawa's later comments at a news conference—in which he didn't map out any policy promises—didn't help fill this obvious gap.

The reality is that the CPI and other price indexes in Japan have been falling for most of the past decade, raising borrowers' debt burdens, hurting wages and causing consumers to delay purchases.

And until now, both the Bank of Japan and the government have tolerated these declines. The central bank currently forecasts deflation will last through March 2012.

Price stability is one of the Bank of Japan's primary jobs, but the onus isn't solely on it. The government declared last month that Japan was back in mild deflation, though it didn't propose any remedy, and a recent stimulus package only briefly addressed that.

One major reason for the deflation is the GDP supply-demand gap. Japan now has an annualized demand shortfall of nearly $390 billion—too many factories and stores chasing too few buyers.

That is why the government needs to map out a long-term growth strategy, including bolstering domestic demand and nudging companies to scrap excess plant capacity. Unfortunately, some policies, such as state support for ailing businesses, will only delay that creative destruction.

The Bank of Japan's comments Friday are intended to dispel the notion that it tolerates deflation, even if the record shows otherwise, and possibly flag stronger policy steps later. In a post-meeting statement, the central bank said policy-board members see mid- to long-term CPI growth of as much as 2% as stable, with their "understanding" centered on 1%.

The change was to stress that the range must be positive. Japanese Deputy Prime Minister Naoto Kan said Friday that the clarification represented a "de facto inflation target."

Still, like telling children about how "being naughty or nice" will affect their haul of gifts, at some point words must be backed up with action. This holiday season, Tokyo needs to think about that.

*—James Simms*

A woman shops for clothes at Seven & i's Ito-Yokado supermarket in Tokyo.

**Everyday low(er) prices** | Japan's CPI excluding food and energy, change from previous year

Sources: Japanese government; Bloomberg News (photo)

# Clouded by Copenhagen

The Copenhagen climate summit will do little to spur further investment in environmental technologies.

That's hardly surprising given the fundamental flaw at the heart of the process: Negotiations to reduce global carbon dioxide emissions were premised on how much of the gas nations produce, rather than what they consume.

Industrializing countries feared the emissions curbs being demanded of them were a protectionist ruse by the developed world. One country's production cuts, if achieved by reducing local $CO_2$ emissions by relying on imports, is another country's production increase, with no gain for the world's climate.

**Carbon taxes driven by budget deficits spur more green investment than the summit will.**

The non-binding accord cooked up by the world's biggest industrial nations looks like the lowest common denominator you would expect from countries skeptical of each others' motives and increasingly mistrustful of the science that predicts global warming.

For investors and business leaders, there is no extra clarity on an international regulatory framework that might help them predict the cost of $CO_2$. Such certainty is critical for evaluating the investment merits of environmental projects to meet the emission reductions advised by the United Nations.

McKinsey has forecast such spending might amount to as much as €530 billion ($759.76 billion) a year by 2020 and €810 billion by 2030.

The price of $CO_2$ in the European Union, which has the world's most advanced emissions trading system, is around €14 a metric ton, less than half the level necessary to make many low-emission projects viable. The combination of the severe European recession, coupled with too generous issuance of trading permits, has undermined the perceived advantage of a market-based approach to carbon reduction over tax-based carbon pricing: that it leads to more predictable outcomes.

What's more, EU planning for the $CO_2$ trading regime extends only to 2020, another problem when many $CO_2$-intensive capital projects, like power stations, have far longer lives.

Still, all isn't lost. The good news in Europe is that a floor price for $CO_2$ is being established through new carbon taxes.

The European Commission is seeking a region-wide tax to catch $CO_2$ emitters currently exempt from the emissions trading system, but European states are increasingly putting levies in place unilaterally.

Raising money to pay for stretched government budgets may be the motivation rather than reducing global warming, but it may do more to spur green investment in Europe than all the hot air in Copenhagen.

***—Matthew Curtin***

## OVERHEARD

You are a big financial firm that is evicting scores of defaulted homeowners, but you don't want to do it over the holidays.

You can't say you are giving people too big a break, but you want to let the world know you care. How do you craft that delicate message?

**Fannie Mae** was a tad earnest.

"We're taking this step in support of struggling families who have unfortunately found themselves facing foreclosure," its CEO said last week.

**Freddie Mac**'s CEO sounded almost mechanical in comparison. "If the property is occupied, our attorneys will halt the eviction during this holiday moratorium," he said.

**Citigroup** seemed to get the balance right.

"We hope that with this suspension we can make the holidays a little less stressful for our customers who are going through a very difficult time," said the head of its mortgage unit.

Happy Holidays.

*—overheard@wsj.com*

# Banking on warrants

Investor memories of the financial crisis that led to TARP may linger for a while. But not all those bad memories will be warranted.

One positive legacy of the Troubled Asset Relief Program could be the new market for bank warrants. As banks repay TARP funds, warrants issued to the government are being sold. The market could provide investors a way to bet on banks' long-term recovery.

The Treasury has auctioned three sets of bank warrants so far, for **J.P. Morgan Chase**, **Capital One Financial** and, most recently, **TCF Financial**. Each drew well more than the minimum bids set by the Treasury.

Warrants are essentially options with longer exercise periods, as long as nine years in the case of these bank warrants, whereas options have terms of two years or less. The longer exercise period generally ensures the warrants trade more in line with the stock, a handy way for investors to hedge exposure.

In trading, the bank warrants are capturing 65% of every $1 change in the underlying stock price, both positive and negative. In contrast, one-year options for Capital One and J.P. Morgan are capturing about 45% of every $1 change.

Previously tiny compared with exchange-traded options, the public-warrants market is mushrooming. Banks have 15 days to bid to repurchase the warrants after repaying TARP. If they can't agree on a price, the Treasury has the right to take the warrants to auction.

Knowing there is a healthy warrant market means bankers eager to escape the taint of government investment are relieved of the burden of repurchasing the warrants to wipe them off the Treasury's balance sheet.

The Treasury holds warrants in more than 200 banks, most of which are regional institutions.

Depending on the outcome of negotiations with the banks, it is possible that millions of additional warrants could enter trading early next year. If auctions can move all that paper and continue turning a profit for investors, this aspect of the bailout campaign may even warrant approval.

***—Steven D. Jones***

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